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

Annual Report 2008

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.

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, Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, 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 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.

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The English text of this annual report shall prevail over the Chinese text in case of inconsistencies.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Wang Wenming *(Chairman)*
Lee Yiu Sun *(CEO)*

INDEPENDENT NON-EXECUTIVE DIRECTORS
Tsang Hing Lun
Zhang Benzheng
Yen Jong Ling

COMPLIANCE OFFICER
Lee Yiu Sun, FCPA

COMPANY SECRETARY
Helen Young

COMPOSITION OF BOARD COMMITTEES
Audit Committee
Tsang Hing Lun *(Chairman)*
Zhang Benzheng
Yen Jong Ling

Nomination Committee
Zhang Benzheng *(Chairman)*
Wang Wenming
Tsang Hing Lun
Yen Jong Ling

Remuneration Committee
Tsang Hing Lun *(Chairman)*
Wang Wenming
Zhang Benzheng
Yen Jong Ling

REGISTERED OFFICE
Century Yard, Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KYI-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
Suites 2802–4, 28th Floor, Tower 6, The Gateway,
Habour City, 9 Canton Road, Tsimshatsui,
Kowloon

COMPANY WEBSITE
www.firstchina.hk

STOCK CODE
08123

PRINCIPAL BANKER
Wing Hang Bank, Limited
161 Queen's Road Central
Hong Kong

AUDITORS
HLB Hodgson Impey Cheng
31st Floor Gloucester Tower
The Landmark, 11 Pedder Street
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Fund Services (Cayman) Limited
P.O. Box 705 Butterfield House
68 Fort Street, George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Hong Kong Registrars Limited
Shops 1712–1716, 17th Floor Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

CHIEF EXECUTIVE'S STATEMENT

BUSINESS REVIEW

The financial market in 2008 experienced a drastic change compared to that of the previous year. The global financial turmoil was much stronger than most people expected and like the rest of the financial services industry counterparts, the Group had been operating under stringent business environment.

The acquisition of GoHi Holdings Limited ("GoHi") which is the holding company of 首華證券諮詢(深圳)有限公司 First China Securities Consultancy (Shenzhen) Co., Ltd. ("First China Shenzhen") in November 2007 had benefited the Group since the start of the year, both in respect of the positive financial contribution to the Group, and geographically extending the scope of the Group's services to the Greater China region. In June 2008, the Group changed its name officially to First China Financial Holdings Limited, which better reflected its growing business outlook in the Greater China markets. Major business review for the year are as follows:

Development of Hong Kong, Mainland China and Taiwan markets

Through the acquisition of First China Shenzhen, the Group had successfully obtained access to the Mainland China market, and established itself as a pioneering comprehensive financial information providers in Greater China with a primary comprehensive financial information platform.

As envisaged by the Company's management, a good integrated financial platform shall be helpful in improving the overall services of the financial services sector in Hong Kong, Taiwan and Mainland China.

Stock Information Services

As an influential brand in Mainland China, First China Shenzhen had been offering financial services including provision of real-time information, financial plan, and had about 80,000 subscribers of its information services at the end of the first year with its potential users growing. Moreover, First China Shenzhen has a telephone calling centre manned by a sales team of about 300 persons.

Launch of Stock e-Expert

"Stock e-Expert", a new investor software package with expert intelligence analysis and data information system, was launched by the Group in Mainland China in June 2008. The sales of "Stock e-Expert" had generated satisfactory results throughout the second half of the year. An upgraded version of Stock e-Expert which will cover real time Hong Kong stock market information and up-to-date international information will be launched. This software, as an integrated carrier providing services such as series of company information, market information, video information will be directly supplied to the Group's clients and is expected to further benefit the Group.

CHIEF EXECUTIVE'S STATEMENT

BUSINESS REVIEW *(continued)*

Acquisition of an Insurance Broker Company

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 Brokers Company Limited which holds an insurance broker license issued by The China Insurance Regulatory Commission. Subsequently, the name of the company is changed to 深圳首華保險經紀有限公司 (transliterated as First China Insurance Broker (Shenzhen) Co., Limited) to align with the Group's name. As a result of the effective integration of the Group's resources, investors' resources and the supporting services, this business segment is expected to benefit the Group in future.

FINANCIAL REVIEW

Results of the Group

The Group recorded total turnover of approximately HK$72,155,000 for the year ended 31 December 2008. Compared to the amount of approximately HK$44,050,000 in 2007, there was an increase of approximately HK$28,105,000 or of approximately 63.80%. The increase in turnover was primarily attributable to the increase in income from the provision of stock information and research services unit acquired by the Group in November 2007.

Profit before impairment of goodwill for the year ended 31 December, 2008 amounted to approximately HK$9,508,000, compared to the loss of approximately HK$24,667,000 for the previous year. The loss attributable to shareholders for the year ended 31 December 2008 was approximately HK$626,262,000 compared with the loss of approximately HK$24,655,000 of the corresponding period in 2007. The increase in loss was mainly attributable to a significant impairment of goodwill arising from the acquisition of GoHi in November 2007, which is the holding company of First China Shenzhen. The total goodwill arising from the acquisition of GoHi for the year ended 31 December 2007 was approximately HK$491,664,000 and the fair value of option shares and bonus shares issued pursuant to the agreements in respect of the acquisition of GoHi during the year under review was approximately HK$170,368,000. Such amount would be required to be tested for impairment annually according to Hong Kong Financial Reporting Standards ("HKFRSs"). The Board considered that approximately HK$635,784,000 was required for the impairment of goodwill for the year ended 31 December 2008.

Profit before impairment of goodwill for the year was arrived at as follows:

	Year ended 31 December 2008 HK$'000
Loss attributable to shareholders	**(626,262)**
Add: Minority interests	**(14)**
Loss for the year	**(626,276)**
Add: Impairment of goodwill	**635,784**
Profit before impairment of goodwill	**9,508**

CHIEF EXECUTIVE'S STATEMENT

FINANCIAL REVIEW *(continued)*

Goodwill arising from the acquisition of First China Shenzhen

The total goodwill arising from the acquisition of GoHi in November 2007 was required to be tested for impairment annually according to HKFRSs. No impairment of goodwill was required for the year ended 31 December 2007. However, triggered off by the global financial turmoil during the year, financial markets worldwide underwent relatively significant downturn. An independent valuer was engaged by the Group to conduct an annual valuation on goodwill and the valuation report was recently released. As a result, the Board considered that approximately HK$635,784,000 was required for the impairment of goodwill for the year ended 31 December 2008, including recognizing the impairment of goodwill arising on acquisition of GoHi in 2007 in the year according to HKFRS. The loss for the year is primarily attributable to recognizing the impairment of the aforesaid goodwill in the year under review. The financial results of the Group for 2008 reflected the prudent approach the Board adopted in light of the current downturn in the financial markets, as the Board is of the view that recognizing the impairment of the goodwill in the year under review is beneficial to the long run development of the Group.

Liquidity and financial resources

The Group is in healthy and liquidity position. As at 31 December 2008, the shareholders' fund of the Group amounted to approximately HK$155,699,000. As at 31 December 2008, the Group's cash and cash equivalents amounted to approximately HK$74,379,000 (31 December 2007: approximately HK$108,684,000) of which approximately HK$6,990,000 (31 December 2007: approximately HK$11,876,000) were held on behalf of clients in trust and segregated accounts. Taking into account of the amount of liquid assets in hand, the Board is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

The Group manages the foreign exchange exposure arising from its normal course of business activities and investments in foreign operations by funding its local operations and investments through cash flows generated from business transactions locally. As at the end of the year, the Group did not have any material un-hedged foreign exchange exposure or interest rate mismatch.

Capital structure

As at the end of 2008, the total number of the Company's shares had been increased to 2,934,123,215 after the issue of 343,689,215 new shares as partial consideration for the acquisition of GoHi on 16 November 2007 pursuant to the Agreements as disclosed in the Company's circular dated 22 October, 2007 and the exercises of a total of 52,000,000 share options during the year. The total net amount of fund raised through such share option exercises was about HK$3,776,000, and had been applied as working capital of the Group.

The Group did not have any borrowings and long-term debts at the end of the year in 2008. The Company has given a corporate guarantee to the extent of HK$45,000,000 to a bank in respect of general banking facility granted to a subsidiary. However, no overdraft was drawn under this facility at the balance sheet date.

CHIEF EXECUTIVE'S STATEMENT

FINANCIAL REVIEW *(continued)*

Stock Information and Research Services

The total fee income of the stock information and research services unit significantly increased to approximately HK$57,986,000 for the year, representing an increase of approximately HK$46,512,000 or of approximately 4.05 times compared with that of last year, mainly attributable to the full year contribution of the provision of stock information and research business in Mainland China acquired by the Group in November, 2007. This unit reported an operating profit before income tax expense of approximately HK$35,311,000. However, because of recognizing the impairment of goodwill of approximately HK$635,784,000 in the year, this unit recorded a loss of approximately HK$600,473,000 for the year.

Brokerage and trading platform

Total turnover of this unit recorded was approximately HK$3,464,000 for the year ended 31 December 2008, compared with approximately HK$8,479,000 for same period last year. Because of the decline in turnover of the market, our brokerage commission dropped accordingly. The unit recorded a loss of approximately HK$5,925,000 for the year.

Wealth Management

As a result of the significant downturn of global equity market, the total fee income of the wealth management division significantly decreased to approximately HK$10,716,000 for the year from approximately HK$23,438,000 for the same period last year. This unit recorded a profit of approximately HK$183,000 for the year.

Corporate Finance Services

Due to the significant decline in demand for capital market investment, the total fee income of this segment was approximately HK$13,000 for the year. This segment recorded a loss of approximately HK$757,000 for the year.

CHARGES ON ASSETS

As at 31 December 2008, the Group did not have any charges on its assets (2007: Nil).

CONTINGENT LIABILITIES

As at 31 December 2008, the Group did not have any contingent liabilities (2007: Nil).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES/FUTURE PLAN FOR MATERIAL INVESTMENTS

Other than the acquisition in the previous year of the entire shareholding of GoHi which directly owns 100% interest in First China Shenzhen by the Group through its 100% equity interest in Aceview International Limited, there was no other material acquisition/disposal which would have been required to be disclosed under the GEM Listing Rules for the year under review. At present, the Group has no concrete plans for any material investments.

CHIEF EXECUTIVE'S STATEMENT

EMPLOYEE INFORMATION

As at 31 December 2008, the Group had a workforce of 90 employees (2007: 58). The total staff costs, including directors' emoluments, amounted to about HK$12.9 million for the year ended 31 December 2008 (2007: approximately 17.9 million).

The Group's remuneration policies are reviewed on an annual basis and commensurate with the industry pay level. The remuneration package includes basic salary, provident fund, medical benefits and discretionary bonus. The Group has also adopted a share option scheme as an added incentive for its employees. During the year, the Company had not granted any new share option to any director or employee.

OUTLOOK

The unprecedented global financial turmoil presented much greater challenges to the general economic environment and the financial services industry has been under hard hit. As the financial turmoil develops, it is difficult to estimate what the market will hold in 2009. However, as China emerged as one of the countries least affected by the financial turmoil, and with its firm support for Hong Kong, it is believed that the impact of the financial turmoil on this region may not be as severe compared with other parts of the world.

The prospects of the China economy and its financial services markets continue to be our major focus. As our comprehensive financial services continue to develop and improve to a more advanced and matured stage, the Group, as a financial service provider in the Greater China region, will continue to deliver improved and enhanced services to investors. Despite the industry-wide challenges and prevailing uncertainties, by focusing on the core competence of our existing businesses and leveraging our strength on the acquired business of First China Shenzhen, together with the dedication and efforts of our management and staff, the Group will be able to weather through the challenges ahead, and a stronger First China Group will emerge.

I would like to take this opportunity to thank our shareholders, Board of Directors, our staff and business partners for their continuous support and commitment.

By order of the Board
Lee Yiu Sun
Chief Executive Officer

Hong Kong, 23 March 2009

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Wang Wenming, aged 46, is the Director and Chief Executive Officer of 首華證券諮詢（深圳）有限公司 (First China Securities Consultancy (Shenzhen) Co. Ltd.) ("First China Shenzhen"), one of China's leading stock information services companies. Prior to that, Mr. Wang had established (i) 深圳市廣信投資有限公司 (Shenzhen Guangxin Investment Co. Ltd.) which is an investment company, (ii) 深圳富盟網絡技術有限公司 (Shenzhen Wealth Alliance Networking Co. Ltd.) which is an I.T. network company, and (iii) 深圳晝天影視傳播有限公司 (Shenzhen Sky Picture Communications Co. Ltd.) which is an audio and video production company. Since the appointment of Mr. Wang Wenming as the Director of First China Shenzhen, under his leadership, First China Shenzhen has achieved growing revenue, profits, and industry recognition. As a result, First China Shenzhen was selected by the Futian District Government of the Shenzhen Municipality as one of "Shenzhen Futian District's Top 100 Taxpaying Enterprises" in 2003 and 2004 with annual tax payment of over RMB10,000,000. Due to Mr. Wang's excellent capability and great contribution to the Shenzhen Municipality, he has been elected as a Congressman of the 4 term of the People's Congress for Shenzhen Municipality, and Deputy Chairman of both the Enterprise Alliance Association and the Entrepreneur Association of Futian District of Shenzhen Municipality, China since 2005. In 2006, Mr. Wang was also selected by the Shenzhen Municipal Party Committee as "Entrepreneur that Supports Party's Development".

Mr. Lee Yiu Sun, aged 51, is the Chief Executive Officer and Compliance Officer of the Company and joined the Group in May 2000. Mr. Lee has over 20 years of experience in the securities and financial service sector. He has been the Chairman of the Hong Kong Stockbrokers Association since September 2007. Mr. Lee was formerly the Managing Director of Celestial Asia Securities Holdings Limited. Mr. Lee was a Council Member of The Stock Exchange of Hong Kong Limited from 1997 to 1999 and a Committee Member of the Chinese Gold and Silver Exchange Society from 1994 to 1999. Mr. Lee was also the member of the Banking and Financial Services Training Board of Vocational Training Centre in Hong Kong from 2000 to 2007. Mr. Lee holds a Master of Arts Degree in Accounting and Finance, and is an associate member of the Chartered Institute of Management Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

NON-EXECUTIVE DIRECTOR

Dr. Tsang Hing Lun, aged 59, joined the Group in June 2005. Dr. Tsang is the CEO of Influential Consultants Limited. He is a fellow member of the Hong Kong Institute of Directors, Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Dr. Tsang obtained his PhD in 2006. Dr. Tsang graduated from the Chinese University of Hong Kong with a bachelor degree in business administration (1 Class Hons.) in 1973. Dr. Tsang has served in a senior management capacity in several reputable publicly listed companies in Hong Kong and Singapore. Dr. Tsang joined the Hang Seng Bank group in 1973 and served the group for 17 years. He acted as the assistant general manager of the planning and development division of Hang Seng Bank before joining the UOB Group in Singapore in 1990 as its Head of International Branches Division and First Vice President. After working in the UOB Group, Dr. Tsang returned to Hong Kong in 1992 and acted as an executive director of The Stock Exchange of Hong Kong Limited in 1993, an executive director of China Champ Group in 1994, an alternate chief executive and deputy general manager of the China Construction Bank, Hong Kong Branch, from 1995 to 1998. He is currently an independent non-executive director of Beijing Media Corporation Limited, Sinotrans Shipping Limited as well as Sino-Ocean Land Holdings Ltd. and all these companies are listed on The Stock Exchange of Hong Kong Limited.

Professor Zhang Benzheng, aged 68, graduated with a bachelor's degree from the Faculty of Engineering Physics of the Tsinghua University in 1965. He was a visiting scholar in the Brookhaven National Laboratory of USA and the Stuttgart University of Germany. He was the vice director of the Tsinghua University R&D department and the general manager of Tsinghua University Science and Technology Corporation. During the period from 1999 to 2002, he held various senior positions in two companies listed on the Shenzhen Stock Exchange, namely Tsinghua Unisplendour Limited and Tsinghua Unisplendour Guhan Group Corporation. He was the chairman and legal representative of Tsinghua Unisplendour Guhan Group Corporation and president of Tsinghua Unisplendour Limited before he left these companies in 2002. He then joined Tsinghua Unisplendour (Group) Corporation in 2002 and was its president until 2004. Professor Zhang is currently the general vice president and secretary of the Beijing Non-Governmental Science & Technology Entrepreneurs Association. With his remarkable business leadership as well as exploratory initiatives, Professor Zhang had made tremendous contribution to the companies he worked for. He has not only gained compliments from the society at large, but has also won a series of honors. In 1997, Professor Zhang received the national prize of "The Third Term Science and Technology Light Award for Outstanding Scientific and Technological Entrepreneur". In 2000, he won the "Hong Kong Bauhinia Cup Outstanding Entrepreneur Award" and the "Entrepreneurial Talent" award issued by the Beijing Non-Governmental Science and Technology Entrepreneurs Association. In 2002, he was selected as the first lot of "Zhongguan Village Outstanding Entrepreneurs".

Mr. Yen Jong Ling, aged 47, holds a Master's degree in Business Administration from State University of New York at Buffalo and a Master's degree in Science, Finance from New York University. He also holds the professional qualifications of CFA and FRM as well as the professional licenses for Type 9 (Asset management) and Type 4 (Advising on securities) regulated activities under the Securities and Futures Ordinance of Hong Kong. Currently, he is the responsible officer of China Merchants Securities (HK) Co., Limited. For the past 16 years, Mr. Yen held various senior positions with different financial institutions in New York, Hong Kong and Taiwan. From September 2006 to October 2007, he was an executive director of AVANTA Investment (International) Limited and was responsible for fund management and investment advisory services. In 2004, he was a managing director of Crosby Asset Management (Hong Kong) Limited and was responsible for setting up a fund. Between 2001 and 2003, he was the president of Hwa Yu Securities Investment Advisory Company and was responsible for promoting investment advisory services and managing discretionary accounts. With over 16 years of exposure in investing in the international capital market, Mr. Yen has vast experience in fund management including mutual fund, pension fund, insurance investment portfolio and management of institutional accounts.

DIRECTORS' REPORT

The Directors are pleased to present their annual report together with the audited financial statements of the Company and the Group for the year ended 31 December 2008.

CORPORATE INFORMATION

The Company was incorporated on 24 May 2001 as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and other particulars of the Company's subsidiaries are set out in note 20 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 30.

The Directors do not recommend the payment of a dividend nor transfer of any amount to reserves for the year ended 31 December 2008 (2007: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company during the year are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 29 to the financial statements.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for distribution as dividends to its shareholders subject to the provisions of its Memorandum and Articles of Association and a statutory solvency test. In accordance with Article 137 of the Articles of Association of the Company, dividends may be declared and paid out of the profits of the Company or from any reserves set aside from profits which the Directors determine to be no longer needed. With the sanction of an ordinary resolution, dividends may also be declared or paid out of share premium account. Accordingly, the Company's reserves available for distribution was HK$0 as at 31 December 2008.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the year and up to the date of this report were as follows:

Executive Directors
Wang Wenming *(Chairman)*
Lee Yiu Sun *(Chief Executive Officer)*

Independent Non-executive Directors
Tsang Hing Lun
Zhang Benzheng
Yen Jong Ling

In accordance with Article 87(1) of the Company's Articles of Association, the Directors retiring by rotation at the annual general meeting are Mr. Lee Yiu Sun and Dr. Tsang Hing Lun. Moreover, in accordance with Article 86(3), Professor Zhang Benzheng and Mr. Yen Jong Ling, being appointed by the Directors after the Company's last annual general meeting held on 13 June 2008, will hold office only until the annual general meting. All four Directors are being eligible for re-election and will offer themselves for re-election at the forthcoming annual general meeting. The remaining Director shall continue to hold office.

Mr. Wang Wenming is a Director of Fame Treasure Limited, which has an interest in the share capital of the Company that would fall to be disclosed to the Company under the provisions in Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 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

	Number of shares			Approximate percentage of
Name of Director	Personal Interests	Corporate Interests	Total	shareholding
Wang Wenming	325,958,000	343,689,215	669,647,215	22.82%
	(note 1)	*(note 2)*		
Lee Yiu Sun	100,019,000	—	100,019,000	3.40%

Notes:

(1) 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.

(2) Mr. Wang Wenming was deemed to be interested in 343,689,215 shares of the Company through his controlling interests in Fame Treasure Limited.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY *(continued)*

(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 17 December 2001 (the "Share Option Scheme"), the Directors and chief executive were granted share options to subscribe for shares of the Company, details of which as at 31 December 2008 are as follows:

		Number of share options						
Name	Date of grant	Outstanding as at 1 January 2008	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 December 2008	Option period	Exercise price HK$
Richard Yingneng Yin	05/09/2007	16,000,000	—	11,000,000		5,000,000 *(note 3)*	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 *(note 3)*	—	05/09/2007–04/09/2017	0.228

Note:

(3) As Mr. Richard Yingneng Yin and Mr. Michael Wu Wai Chung had ceased to be the directors of the Company during the year, the share options granted to them would lapse upon termination of their directorship according to the share option scheme. However, pursuant to a resolution by a Company's committee, the exercise period of the 5,000,000 share options granted to Mr. Richard Yingneng Yin was extended to 8 March 2009, hence for Mr. Richard Yingneng Yin, there is an outstanding share options of 5,000,000 as at 31 December 2008.

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

Pursuant to the Agreement dated 11 July 2007 and the Supplemental Agreement dated 30 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 in each of the 12-month period ending 30 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. With the fulfillment of the said conditions for the 12-month period ended 30 June 2008, an option to subscribe for 20,000,000 shares (the "Option") was granted to Mr. Wang Wenming who has not yet exercised the Option as at 31 December 2008.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY *(continued)*

(b) Long positions in underlying shares of the Company *(continued)*

(ii) Agreement and Supplemental Agreement involving granting of share options (continued)

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 or chief executive 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

	Number of shares		Approximate
Name of Director	Personal Interests	Corporate Interests	percentage of shareholding
Lee Yiu Sun	50,000,000 *(note 4)*	—	1.70%

Notes:

(4) Pursuant to an option deed dated 31 August 2005, Asia Network Holdings Limited 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 31 August 2005 till the date when Mr. Lee ceases to be interested in the shares.

Save as disclosed above, during the year, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

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 of the Company, as at 31 December 2008, the following persons (not being a Director 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
Fame Treasure Limited	Beneficial owner	343,689,215	11.71%
Wang Wenming and Chen Dongjin *(note 2)*	Beneficial owner	325,958,000 *(note 1)*	11.11%
	Interested in a controlled corporation	343,689,215 *(note 2)*	11.71%
Pan Shixin and Wang Junhui	Beneficial owner	185,000,000 *(note 3)*	6.31%

Notes:

(1) 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.

(2) Mr. Wang Wenming was deemed to be interested in 343,689,215 shares through his controlling interests in Fame Treasure Limited. As Ms. Chen Dongjin is the spouse of Wang Wenming, she was also deemed to be interested in the said 343,689,215 shares held by Fame Treasure Limited.

(3) Mr. Pan Shixin held 90,000,000 shares of the Company. Ms. Wang Junhui held 95,000,000 shares of the Company. As Mr. Pan Shixin is the spouse of Ms. Wang Jinhui, they were deemed to be collectively interested in 185,000,000 shares of the Company.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(continued)*

(b) Long positions in underlying shares of the Company

Name of shareholders	Capacity	Number of shares	Approximate percentage of shareholding
Wang Wenming and Chen Dongjin	Beneficial owner	60,000,000 *(note 4)*	2.04%

Notes:

(4) On 16 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 11 July 2007 and the Supplemental Agreement dated 30 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, she is deemed to be interested in the said option granted to Mr. Wang Wenming. With the fulfillment of the condition for the 12-month period ended 30 June 2008, an option for 20,000,000 shares (the "Option") was granted to Mr. Wang Wenming who has not yet exercised the Option as at 31 December 2008.

Save as disclosed above, as at 31 December 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 has adopted a share option scheme (the "Scheme") under which the Directors or employees of the Company or its subsidiaries or certain other persons may be granted share options to subscribe for shares of the Company subject to the terms and conditions stipulated in the Scheme.

(1) Summary of the Scheme

(i) Purpose of the Scheme

The purpose of the Scheme is to provide the people and the parties working for the interest of the Group with an opportunity to obtain equity interest in the Company, thus linking their interest with the interest of the Group and thereby providing them with an incentive to work better for the interest of the Group.

(ii) Participants of the Scheme

Pursuant to the Scheme, the Company may grant share options to (i) employees of the Company (whether full-time or part-time) or any of its subsidiaries or associated companies; (ii) Directors (whether Executive Directors, Non-executive Directors or Independent Non-executive Directors) of the Company or any of its subsidiaries or associated companies; (iii) suppliers of goods and/or services to the Company or any of its subsidiaries or associated companies; and (iv) professionals engaged by the Company or any of its subsidiaries or associated companies.

(iii) Total number of shares available for issue under the Scheme

As at 31 December 2008, the total number of shares available for issue under the Scheme was 207,088,600 shares, representing about 7.06% of the total issued capital.

(iv) Maximum entitlement of each participant

The maximum number of shares of the Company issued and to be issued upon exercise of the options granted and to be granted pursuant to the Scheme and any other share option schemes of the Company (including the Pre-IPO Share Option Plan) to each participant in any 12-month period up to the date of grant of the options shall not exceed 1% of the total number of shares of the Company in issue, save for those share options already granted under the Pre-IPO Share Option Plan.

DETAILS OF THE OPTIONS GRANTED BY THE COMPANY *(continued)*

(a) Share Option Scheme of the Company *(continued)*

(1) Summary of the Scheme *(continued)*

(v) Option Period

An option may be exercised in accordance with the terms of the Scheme at any time during a period of not more than ten years to be notified by the Board of Directors of the Company (the "Board") to each participant which period of time shall commence on the date on which an offer of the grant of an option is accepted or deemed to have been accepted in accordance with the Scheme and expire on the last day of such period as determined by the Board. There is no minimum period for which an option must be held before it can be exercised.

(vi) Payment on acceptance of option offer

HK$1.00 is payable by the participant to the Company on acceptance of the option offer as consideration for the grant and received by the Company within 14 days from the offer date or within such other period of time as may be determined by the Board pursuant to the GEM Listing Rules.

(vii) Basis of determining the exercise price

The exercise price per share of the Company under the Scheme is determined by the Board and notified to each participant and shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer, which must be a day on which the Stock Exchange is open for the business of dealing in securities ("Trading Day"), (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five consecutive Trading Days immediately preceding the date of offer, and (iii) the nominal value of a share of the Company.

(viii) Remaining life of the Scheme

The Share Option Scheme will remain valid for a period of 10 years commencing on 17 December 2001 (save that the Company, by ordinary resolution in general meeting or Board may at any time terminate the operation of the Share Option Scheme) and in such event, no further options will be offered but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect.

DETAILS OF THE OPTIONS GRANTED BY THE COMPANY *(continued)*

(a) Share Option Scheme of the Company *(continued)*

(2) Details of share options granted by the Company

On 5 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 31 December 2008, details of the outstanding options were as follows:

	Number of share options						
Date of grant	Outstanding as at 1 January 2008	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 December 2008	Option period	Exercise price HK$
05/09/2007	23,500,000	—	12,000,000	2,000,000	9,500,000	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 4 February 2005 pursuant to which 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. The transaction was approved by the shareholders at an extraordinary general meeting of the Company held on 1 April 2005. As at 31 December 2008, details of the outstanding share options were as follows:

Date of grant	Outstanding as at 1 January 2008	Exercised during the year	Number of share options outstanding as at 31 December 2008	Exercise period	Exercise price per share HK$
29/04/2005	40,000,000	40,000,000	—	29/04/2005 — 28/04/2009	0.026

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

Pursuant to the Agreement dated 11 July 2007 and the Supplemental Agreement dated 30 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 in each of the 12-month period ending 30 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. With the fulfillment of the said conditions for the 12-month period ended 30 June 2008, an option to subscribe for 20,000,000 shares (the "Option") was granted to Mr. Wang Wenming who has not yet exercised the Option as at the date hereof.

DIRECTORS' REPORT

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme and the subscription agreement as described above and in notes 31 and 32 to the financial statements, at no time during the year 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 year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There was no contract of significance, save as disclosed in the financial statements, in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year under review, the Group's turnover attributable to its five largest customers combined accounted for less than 60% of the Group's total turnover.

The Group had no major supplier due to the nature of principal activities of the Group.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

On 1 July 2007, 首華證券諮詢(深圳)有限公司 (transliterated as "First China Securities Consultancy (Shenzhen) Co. Ltd.") ("First China Shenzhen"), a wholly-owned subsidiary of the Company, entered into a cooperation agreement with 深圳富盟網絡技術有限公司 (transliterated as "Shenzhen Wealth Alliance Networking Company Limited") ("Wealth Alliance") for a term of 20 years commencing from 1 July 2007 (the "Cooperation Agreement"), pursuant to which both parties agreed to cooperate to operate an interactive financial website named Stock Online and to sell an investor software and financial information package known as Stock Expert. Under the Cooperation Agreement, Wealth Alliance sells the Stock Expert and financial information package on behalf of First China Shenzhen. All such sales proceeds, after deducting the reasonable charges incurred by Wealth Alliance for carrying out such function on behalf of First China Shenzhen, will be given to First China Shenzhen.

The Cooperation Agreement constitutes a non-exempt continuing connected transaction under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). In this respect, the Company had made an announcement on 9 April 2008 (the "CCT Announcement") to disclose the annual caps of the reasonable charges incurred by Wealth Alliance under the Cooperation Agreement for the three financial years ending 31 December 2008, 2009 and 2010 so as to comply with the reporting and disclosure requirements under the GEM Listing Rules. As disclosed in the CCT Announcement, the aforesaid annual caps for the financial years ending 31 December 2008, 2009 and 2010 are RMB12,000,000, RMB14,400,000 and RMB16,800,000 respectively.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION *(continued)*

As disclosed in the audited financial statements of the Group for the financial year ended 31 December 2008, the reasonable charges incurred by Wealth Alliance under the Cooperation Agreement amounted to HK$11,728,428 (equivalent to RMB10,448,674) for the financial year ended 31 December 2008.

In accordance with paragraph 20.37 of the GEM Listing Rules, the independent non-executive directors of the Company have reviewed the continuing connected transaction (i.e. the reasonable charges incurred by Wealth Alliance under the Cooperation Agreement amounting to RMB10,448,674 for the financial year ended 31 December 2008) and confirmed that the aforesaid continuing connected transaction has been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on terms no less favourable to the Group than terms available from independent third parties; and

(3) in accordance with the Cooperation Agreement on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with paragraph 20.38 of the GEM Listing Rules, the Company has engaged its auditors to perform agreed-upon procedures on the aforesaid continuing connected transaction in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditors have issued their report of factual findings to the Company's board of directors confirming that the continuing connected transaction (i.e. the reasonable charges incurred by Wealth Alliance under the Cooperation Agreement amounting to RMB10,448,674 for the financial year ended 31 December 2008):

(1) has received the approval of the Company's board of directors;

(2) has been entered into in accordance with the Cooperation Agreement; and

(3) has not exceeded the annual cap of RMB12,000,000 applicable to the financial year ended 31 December 2008 as disclosed in the CCT Announcement.

Subsequent to 31 December 2008, on 3 March 2009, the Group entered into a series of agreements to acquire control of 深圳畫天影視傳播有限公司 (transliterated as Shenzhen Sky Picture Communications Company Limited) and its wholly owned subsidiary, Wealth Alliance (collectively, the "Target Group"), further details of which are disclosed in the Company's announcement dated 19 January 2009 and the Company's circular dated 12 February 2009. Upon completion of the aforesaid acquisition, the Target Group has become wholly-owned subsidiaries of the Group and its financial information has been consolidated into the consolidated financial statements of the Group as from the date of acquisition. As such, the Cooperation Agreement will no longer constitute a continuing connected transaction under the GEM Listing Rules and the relevant annual caps will no longer be applicable to the Group.

DIRECTORS' REPORT

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year, 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. Yen Jong Ling, also acts as the responsible officer of China Merchants Securities (HK) Co., Limited which engages in securities related business and may compete with the Group. 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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITORS

The accompanying financial statements were audited by Messrs. HLB Hodgson Impey Cheng. A resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Lee Yiu Sun
Chief Executive Officer

Hong Kong, 23 March 2009

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board assumes overall responsibility for the leadership and control of the Group, including providing and setting the Group's directions and strategies in the interests of the Group. It believes in good corporate governance and corporate governance practices that promote investor confidence, development of the Group, and transparency while having the longterm interest of the Group and enhancement of shareholders' value as the ultimate objectives. It is committed to and has applied the principles of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules ("Corporate Governance Code"). The Company was in compliance with the Corporate Governance Code.

DIRECTORS' SECURITIES TRANSACTIONS

In respect of the standard of dealings required of directors, the Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in rules 5.48 to 5.68 of the GEM Listing Rules. The directors have complied with the Company's code of conduct regarding directors' securities transactions.

THE BOARD OF DIRECTORS

Comprising of two executive and three independent non-executive directors, the present board has an appropriate composition of directors. In ensuring that the Company has an effective Board, the segregation of the role of Chairman and Chief Executive Officer has been in place since the listing of the Company on the Stock Exchange. The non-executive directors are each appointed on a two-year term. The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and is in the opinion that all independent non-executive directors are independent.

The present board of directors consists of:

Wang Wenming	*(Chairman)*
Lee Yiu Sun	*(Chief Executive Officer)*
Tsang Hing Lun	*(Independent Non-executive Director)*
Zhang Benzheng	*(Independent Non-executive Director)*
Yen Jong Ling	*(Independent Non-executive Director)*

The Board is mandated to determine and review strategic objectives, appoint and supervise senior management, approve quarterly, interim and annual reports, and review the principal risks of the Group's business to ensure that these risks are within manageable limits. It is also mandated to approve any substantial investment, acquisition or disposal by the Company. Major corporate matters that are delegated to the management include the execution of business strategies and initiatives approved by the Board and the preparation of quarterly, interim and annual reports for the Board's approval. As Mr. Wang Wenming is the controlling shareholder of Fame Treasure Limited, he is deemed to be interested in the Company's shares owned by Fame Treasure Limited.

THE BOARD OF DIRECTORS *(continued)*

There were five board meetings during the year. The attendance of Directors at the board meetings was as follows:

Members	Attendance
Wang Wenming (appointed on 8 May 2008)	4/5
Richard Yingneng Yin (resigned on 9 December 2008)	4/5
Lee Yiu Sun	5/5
Kennedy Wong Ying Ho (resigned on 11 July 2008)	1/5
Michael Wu Wai Chung (resigned on 12 November 2008)	1/5
Japhet Sebastian Law (resigned on 1 October 2008)	3/5
Tsang Hing Lun	5/5
Zhang Benzheng (appointed on 30 September 2008)	1/5
Yen Jong Ling (appointed on 12 November 2008)	1/5
Wong Chun Kong (appointed on 11 July 2008 & resigned on 10 November 2008)	2/5

REMUNERATION OF DIRECTORS

The Company has established a Remuneration Committee with specific written terms of reference.

The Remuneration Committee consists of three independent non-executive directors, Dr. Tsang Hing Lun, Professor Zhang Benzheng and Mr. Yen Jong Ling; and one executive director, Mr. Wang Wenming. Dr. Tsang Hing Lun is the chairman of the committee. The Remuneration Committee's role and function include making recommendations to the Board on the Company's policy and structure for remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. It also has the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management.

The Company's remuneration policies are determined on the basis of the contributions of staff and directors. Long-term incentive schemes for staff and directors include share options and cash bonuses.

REMUNERATION OF DIRECTORS *(continued)*

The Remuneration Committee held two meetings during the year and the attendance of its members was as follows:

Members	Attendance
Japhet Sebastian Law (resigned on 1 October 2008)	1/2
Tsang Hing Lun	2/2
Richard Yingneng Yin (resigned on 9 December 2008)	1/2
Zhang Benzheng (appointed on 30 September 2008)	1/2
Yen Jong Ling (appointed on 12 November 2008)	1/2
Wang Wenming (appointed on 8 May 2008)	1/2

During the year, the Remuneration Committee's work includes determining the policy for the remuneration of executive directors and senior management, considering the terms of executive directors' employment contracts, providing advice on employee remuneration for the year 2008, and making recommendations to the Board for granting of share options under the Share Option Scheme of the Company.

NOMINATION OF DIRECTORS

The Company has established a Nomination Committee with specific written terms of reference. The Nomination Committee consists of three independent non-executive directors, Professor Zhang Benzheng, Dr. Tsang Hing Lun and Mr. Yen Jong Ling; and one executive director, Mr. Wang Wenming. Professor Zhang Benzheng is the chairman of the committee. The Nomination Committee's role and function include reviewing the structure, size and composition of the board of directors on a regular basis and making recommendations regarding any proposed changes; identifying and recommending individuals suitably qualified to become board members; and assessing the independence of independent non-executive directors.

The Nomination Committee held two meetings during the year and the attendance of its members was as follows:

Members	Attendance
Japhet Sebastian Law (resigned on 1 October 2008)	1/2
Tsang Hing Lun	2/2
Richard Yingneng Yin (resigned on 9 December 2008)	1/2
Zhang Benzheng (appointed on 30 September 2008)	1/2
Yen Jong Ling (appointed on 12 November 2008)	1/2
Wang Wenming (appointed on 8 May 2008)	1/2

NOMINATION OF DIRECTORS *(continued)*

On the nomination process, the Nomination Committee would review suggested candidates for directorship having regard to the candidates' reputation and the specific skills or expertise that the candidates can contribute to the Company in the light of the structure, size, and composition of the board of directors. Only candidates who have integrity and can provide specific contributions to the Company thereby enhancing the value of the Company would be considered for nomination to the board of directors by the Nomination Committee.

During the year, the Nomination Committee's work included reviewing the structure, size, independence and composition of the Board of Directors and made recommendations thereon. Each director has also completed a self-assessment form regarding his skills and experience for the requirements of the business of the Group for review by the Nomination Committee.

AUDITORS' REMUNERATION

For the year ended 31 December 2008, the Group had engaged its auditors, HLB Hodgson Impey Cheng, to provide the following services and their respective fees charged are set out below:

Type of services	2008 Approximately HK$
Audit for the Group	680,000
Non-audit services	
— Taxation services	55,000
— Review of financial information	280,000
	1,015,000

AUDIT COMMITTEE

The Company has established an Audit Committee with specific written terms of reference. The Audit Committee consists of three independent non-executive directors, Dr. Tsang Hing Lun, Professor Zhang Benzheng and Mr. Yen Jong Ling. Chaired by Dr. Tsang Hing Lun, the Audit Committee's role and function include making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor; review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; develop and implement policy on the engagement of an external auditor to supply non-audit services; monitor the integrity of financial statements, annual reports and accounts, half-yearly and quarterly reports of the Company, and review significant financial reporting judgments contained in them; review the Company's financial controls, internal control and risk management systems; and review the Group's financial and accounting policies, procedures and practices.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE *(continued)*

The Audit Committee has reviewed the financial statements of the Group for the year ended 31 December 2008 pursuant to the relevant provisions contained in the Code of Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules and was of the opinion that such statements had complied with applicable accounting standards and that adequate disclosures had been made in respect thereof.

The Audit Committee held five meetings during the year and the attendance of its members was as follows:

Members	Attendance
Japhet Sebastian Law (resigned on 1 October 2008)	3/5
Tsang Hing Lun	5/5
Michael Wu Wai Chung (resigned on 12 November 2008)	1/5
Zhang Benzheng (appointed on 30 September 2008)	1/5
Yen Jong Ling (appointed on 12 November 2008)	1/5

During the year, the Audit Committee's work includes reviewing the Company's quarterly, half yearly and annual results, reviewing the Company's system of internal control, and the Company's accounting policies.

The directors' responsibilities for preparing the accounts and the reporting responsibilities of the auditors are set out on pages 28 to 29.

INTERNAL CONTROL

The Board is responsible for the internal controls of the Group and for reviewing its effectiveness. The Board requires management to establish and maintain sound and effective internal controls. Evaluation of the Group's internal controls is conducted by management on an on-going basis.

Furthermore, the Board and the Audit Committee have reviewed the effectiveness of its internal control systems on all major operations of the Group on a rotational basis by appointing a professional accounting firm on their behalf. The scope of review by the professional accounting firm had been determined and approved by the Audit Committee, and covered all material controls including financial, operational, compliance controls, and risk management functions The professional accounting firm had reported major internal control review findings to the Board and the Audit Committee. Though improvements on some areas were found, no major area of concern was identified. All recommendations from the professional accounting firm will be properly followed up.

The Board and the Audit Committee considered that the Group's internal control system to be effective and adequate and that the Group has fully complied with the Code provision regarding internal controls as stated in the Code on Corporate Governance.

INDEPENDENT AUDITORS' REPORT

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
FIRST CHINA FINANCIAL HOLDINGS LIMITED
(FORMERLY KNOWN AS INTERNATIONAL FINANCIAL NETWORK HOLDINGS LTD.)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of First China Financial Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 101, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in

INDEPENDENT AUDITORS' REPORT

order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 23 March 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Note	2008 HK$	2007 HK$ (As restated) (Note 3.1)
Revenue	6	**72,155,034**	44,050,196
Cost of sales and services		**(12,387,545)**	(1,364,000)
Other gains	8	**27,790**	5,289
Other income	9	**2,452,188**	1,337,098
Employee benefits expenses	11	**(12,935,423)**	(17,938,567)
Depreciation of property, plant and equipment	17	**(2,471,701)**	(1,247,774)
Amortization of intangible assets	18	**(34,582)**	(587,048)
Impairment of goodwill	18	**(635,784,473)**	—
Impairment of investments in associates	21	**—**	(10,430,519)
Impairment of available-for-sale financial assets	22	**—**	(322,850)
Impairment of amount due from an associate	21	**(571,570)**	—
Impairment of trade receivables	24	**(2,244,960)**	(2,193,375)
Other operating expenses		**(28,083,133)**	(33,874,344)
Share of profit/(loss) of associates	21	**12,699**	(752,189)
Loss before income tax	10	**(619,865,676)**	(23,318,083)
Income tax expense	14	**(6,410,352)**	(1,349,477)
Loss for the year		**(626,276,028)**	(24,667,560)
Attributable to:			
Equity holders of the Company	15	**(626,262,225)**	(24,655,055)
Minority interests		**(13,803)**	(12,505)
		(626,276,028)	(24,667,560)
Loss per share for loss attributable to the equity holders of the Company during the year			
— basic and diluted	16	**(24.29) HK cents**	(1.07) HK cents

BALANCE SHEETS

As at 31 December 2008

		The Group		The Company	
		2008	2007	**2008**	2007
	Note	**HK$**	HK$	**HK$**	HK$
Non-current assets					
Property, plant and equipment	17	**7,179,119**	4,572,256	**1,498,904**	376,688
Intangible assets	18	**28,100,002**	491,698,427	**—**	—
Statutory deposits and other assets	19	**3,790,518**	2,030,000	**—**	—
Investments in subsidiaries	20	**—**	—	**4,771,260**	4,771,260
Investments in associates	21	**149,697**	136,998	**—**	—
Available-for-sale financial assets	22	**734,692**	1,252,060	**—**	—
		39,954,028	499,689,741	**6,270,164**	5,147,948
Current assets					
Held-for-trading investments	23	**34,620**	—	**—**	—
Trade receivables	24	**34,128,938**	37,293,670	**—**	—
Other receivables	25	**24,765,756**	27,619,027	**172,152**	237,126
Amounts due from subsidiaries	20	**—**	—	**108,163,041**	569,894,871
Amount due from an associate	21	**—**	548,868	**—**	—
Bank balances and cash	26	**74,379,252**	108,683,840	**22,534,432**	61,623,270
		133,308,566	174,145,405	**130,869,625**	631,755,267
Total assets		**173,262,594**	673,835,146	**137,139,789**	636,903,215
Current liabilities					
Trade payables	27	**9,278,106**	16,779,658	**—**	—
Other payables and deferred income	28	**7,507,418**	25,626,170	**809,791**	1,393,512
Amounts due to subsidiaries	20	**—**	—	**1,568,668**	1,608,881
Amount due to an associate	21	**74,813**	72,773	**—**	—
Current income tax liabilities		**631,447**	4,929,833	**—**	—
		17,491,784	47,408,434	**2,378,459**	3,002,393
Net current assets		**115,816,782**	126,736,971	**128,491,166**	628,752,874
Net assets		**155,770,810**	626,426,712	**134,761,330**	633,900,822

BALANCE SHEETS

As at 31 December 2008

		The Group		The Company	
		2008	2007	**2008**	2007
	Note	**HK$**	HK$	**HK$**	HK$
Capital and reserves					
Share capital	29	**29,341,232**	25,384,340	**29,341,232**	25,384,340
Share premium	29	**478,227,885**	187,589,377	**478,227,885**	187,589,377
Special reserve	30	**4,778,740**	4,778,740	**—**	—
Available-for-sale investments revaluation reserve		**353,426**	870,794	**—**	—
Translation reserve		**3,673,937**	932,601	**—**	—
Shares to be issued	33	**336,000,000**	504,000,000	**336,000,000**	504,000,000
Share options reserve	33	**43,381,827**	14,460,609	**43,381,827**	14,460,609
Share-based compensation reserve	31	**1,767,050**	4,240,920	**1,767,050**	4,240,920
Accumulated losses		**(741,824,980)**	(115,916,165)	**(753,956,664)**	(101,774,424)
Equity attributable to the Company's equity holders		**155,699,117**	626,341,216	**134,761,330**	633,900,822
Minority interests		**71,693**	85,496	**—**	—
Total equity		**155,770,810**	626,426,712	**134,761,330**	633,900,822

Wang Wenming
Director

Lee Yiu Sun
Director

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2008

The Group	Attributable to the equity holders of the Company Share capital HK$ (Note 29)	Share premium HK$ (Note 29)	Special reserve HK$ (Note 30)	Available-for-sale investments revaluation reserve HK$	Translation reserve HK$	Shares to be issued HK$ (Note 33(b))	Share options reserve HK$ (Note 33(b))	Share-based compensation reserve HK$ (Note 31)	Accumulated losses HK$	Total HK$	Minority interests HK$	Total equity HK$
Balance at 1 January 2007	20,500,340	99,621,355	4,778,740	621,240	170,639	—	—	—	(91,261,110)	34,431,204	5	34,431,209
Change in fair value of available-for-sale financial assets	—	—	—	253,343	—	—	—	—	—	253,343	—	253,343
Currency translation differences — Group	—	—	—	—	761,962	—	—	—	—	761,962	—	761,962
Total income and expense recognized directly in equity	—	—	—	253,343	761,962	—	—	—	—	1,015,305	—	1,015,305
Loss for the year	—	—	—	—	—	—	—	—	(24,655,055)	(24,655,055)	(12,505)	(24,667,560)
Total recognized income and expense for the year	—	—	—	253,343	761,962	—	—	—	(24,655,055)	(23,639,750)	(12,505)	(23,652,255)
Sub-total	20,500,340	99,621,355	4,778,740	874,583	932,601	—	—	—	(115,916,165)	10,791,454	(12,500)	10,778,954
Net gain transferred to profit or loss on disposal of available-for-sale financial assets	—	—	—	(3,789)	—	—	—	—	—	(3,789)	—	(3,789)
Acquisition of additional interests in a subsidiary	—	—	—	—	—	—	—	—	—	—	(4)	(4)
Capital contributions from minority interests	—	—	—	—	—	—	—	—	—	—	98,000	98,000
Share option scheme												
— value of employee services	—	—	—	—	—	—	—	5,725,242	—	5,725,242	—	5,725,242
— issue of shares under the share option scheme	84,000	1,831,200	—	—	—	—	—	—	—	1,915,200	—	1,915,200
— transfer upon exercise of employee share options	—	1,484,322	—	—	—	—	—	(1,484,322)	—	—	—	—
Fair values of Consideration Shares and Option to be issued in respect of acquisition of subsidiaries (Note 33(b))	—	—	—	—	—	504,000,000	14,460,609	—	—	518,460,609	—	518,460,609
Issue of shares by way of placements	4,500,000	88,100,000	—	—	—	—	—	—	—	92,600,000	—	92,600,000
Issue of shares upon exercise of options granted under a subscription agreement	300,000	480,000	—	—	—	—	—	—	—	780,000	—	780,000
Share issue costs	—	(3,927,500)	—	—	—	—	—	—	—	(3,927,500)	—	(3,927,500)
Balance at 31 December 2007	25,384,340	187,589,377	4,778,740	870,794	932,601	504,000,000	14,460,609	4,240,920	(115,916,165)	626,341,216	85,496	626,426,712

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2008

The Group	Share capital HK$ (Note 29)	Share premium HK$ (Note 29)	Special reserve HK$ (Note 30)	Available-for-sale investments revaluation reserve HK$	Translation reserve HK$	Shares to be issued HK$ (Note 33(b))	Share options reserve HK$ (Note 33(b))	Share-based compensation reserve HK$ (Note 31)	Accumulated losses HK$	Total HK$	Minority interests HK$	Total equity HK$
	Attributable to the equity holders of the Company											
Balance at 31 December 2007 and 1 January 2008	25,384,340	187,589,377	4,778,740	870,794	932,601	504,000,000	14,460,609	4,240,920	(115,916,165)	626,341,216	85,496	626,426,712
Change in fair value of available-for-sale financial assets	–	–	–	(517,368)	–	–	–	–	–	(517,368)	–	(517,368)
Currency translation differences — Group	–	–	–	–	2,741,336	–	–	–	–	2,741,336	–	2,741,336
Total income and expense recognized directly in equity	–	–	–	(517,368)	2,741,336	–	–	–	–	2,223,968	–	2,223,968
Loss for the year	–	–	–	–	–	–	–	–	(626,262,225)	(626,262,225)	(13,803)	(626,276,028)
Total recognized income and expense for the year	–	–	–	(517,368)	2,741,336	–	–	–	(626,262,225)	(624,038,257)	(13,803)	(624,052,060)
Sub-total	25,384,340	187,589,377	4,778,740	353,426	3,673,937	504,000,000	14,460,609	4,240,920	(742,178,390)	2,302,959	71,693	2,374,652
Share option scheme												
— issue of shares under the share option scheme	120,000	2,616,000	–	–	–	–	–	–	–	2,736,000	–	2,736,000
— vested share options lapsed	–	–	–	–	–	–	–	(353,410)	353,410	–	–	–
— transfer upon exercise of employee share options	–	2,120,460	–	–	–	–	–	(2,120,460)	–	–	–	–
Issue of shares upon exercise of options granted under a subscription agreement	400,000	640,000	–	–	–	–	–	–	–	1,040,000	–	1,040,000
Issue of Consideration Shares (Note 33(b))	2,000,000	166,000,000	–	–	–	(168,000,000)	–	–	–	–	–	–
Issue of Bonus Shares (Note 33(b))	1,436,892	119,262,048	–	–	–	–	–	–	–	120,698,940	–	120,698,940
Fair values of Option in respect of acquisition of subsidiaries (Note 33(b))	–	–	–	–	–	–	28,921,218	–	–	28,921,218	–	28,921,218
Balance at 31 December 2008	29,341,232	478,227,885	4,778,740	353,426	3,673,937	336,000,000	43,381,827	1,767,050	(741,824,980)	155,699,117	71,693	155,770,810

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2008

The Company	Share capital HK$ (Note 29)	Share premium HK$ (Note 29)	Shares to be issued HK$ (Note 33(b))	Share options reserve HK$ (Note 33(b))	Share-based compensation reserve HK$ (Note 31)	Accumulated losses HK$	Total equity HK$
Balance at 1 January 2007	20,500,340	99,621,355	—	—	—	(83,602,141)	36,519,554
Loss for the year and total recognized income and expense for the year	—	—	—	—	—	(18,172,283)	(18,172,283)
Share option scheme							
— value of employee services	—	—	—	—	5,725,242	—	5,725,242
— issue of shares under the share option scheme	84,000	1,831,200	—	—	—	—	1,915,200
— transfer upon exercise of employee share options	—	1,484,322	—	—	(1,484,322)	—	—
Fair values of Consideration Shares and Option to be issued in respect of acquisition of subsidiaries (Note 33(b))	—	—	504,000,000	14,460,609	—	—	518,460,609
Issue of shares by way of placements	4,500,000	88,100,000	—	—	—	—	92,600,000
Issue of shares upon exercise of options granted under a subscription agreement	300,000	480,000	—	—	—	—	780,000
Share issue costs	—	(3,927,500)	—	—	—	—	(3,927,500)
Balance at 31 December 2007 and 1 January 2008	**25,384,340**	**187,589,377**	**504,000,000**	**14,460,609**	**4,240,920**	**(101,774,424)**	**633,900,822**
Loss for the year and total recognized income and expense for the year	**—**	**—**	**—**	**—**	**—**	**(652,535,650)**	**(652,535,650)**
Share option scheme							
— issue of shares under the share option scheme	**120,000**	**2,616,000**	**—**	**—**	**—**	**—**	**2,736,000**
— vested share options lapsed	**—**	**—**	**—**	**—**	**(353,410)**	**353,410**	**—**
— transfer upon exercise of employee share options	**—**	**2,120,460**	**—**	**—**	**(2,120,460)**	**—**	**—**
Issue of shares upon exercise of options granted under a subscription agreement	**400,000**	**640,000**	**—**	**—**	**—**	**—**	**1,040,000**
Issue of Consideration Shares (Note 33(b))	**2,000,000**	**166,000,000**	**(168,000,000)**	**—**	**—**	**—**	**—**
Issue of Bonus Shares (Note 33(b))	**1,436,892**	**119,262,048**	**—**	**—**	**—**	**—**	**120,698,940**
Fair values of Option in respect of acquisition of subsidiaries (Note 33(b))	**—**	**—**	**—**	**28,921,218**	**—**	**—**	**28,921,218**
Balance at 31 December 2008	**29,341,232**	**478,227,885**	**336,000,000**	**43,381,827**	**1,767,050**	**(753,956,664)**	**134,761,330**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Note	2008 HK$	2007 HK$
Cash flows from operating activities			
Loss before income tax		**(619,865,676)**	(23,318,083)
Adjustments for:			
— Depreciation of property, plant and equipment		**2,471,701**	1,247,774
— Amortization of intangible assets		**34,582**	587,048
— Share-based compensation expenses		**—**	5,725,242
— Share of (profit)/loss of associates		**(12,699)**	752,189
— (Gain)/loss on disposal of property, plant and equipment		**(27,790)**	426,532
— Impairment of goodwill		**635,784,473**	—
— Impairment of investments in associates		**—**	10,430,519
— Impairment of available-for-sale financial assets		**—**	322,850
— Impairment of amount due from an associate		**571,570**	—
— Impairment of trade receivables		**2,244,960**	2,193,375
— Gain on disposal of subsidiaries		**—**	(1,500)
— Net gain transferred from equity on disposal of available-for-sale financial assets		**—**	(3,789)
— Dividend income		**(33,475)**	(30,645)
— Interest income		**(1,522,127)**	(989,643)
Operating cash flows before changes in working capital		**19,645,519**	(2,658,131)
— Statutory deposits and other assets		**(1,760,518)**	150,000
— Held-for-trading investments		**(34,620)**	—
— Trade receivables		**890,932**	(13,152,373)
— Other receivables		**(17,893,686)**	34,077,204
— Bank trust accounts		**4,885,691**	(298,164)
— Trade payables		**(7,501,552)**	(3,196,583)
— Other payables and deferred income		**(18,166,282)**	(24,760,489)
Cash used in operations		**(19,934,516)**	(9,838,536)
Income tax paid		**(10,959,931)**	—
Interest received		**1,522,127**	989,643
Net cash used in operating activities		**(29,372,320)**	(8,848,893)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Note	2008 HK$	2007 HK$
Cash flows from investing activities			
Dividend received		**33,475**	30,645
Purchase of property, plant and equipment		**(4,849,568)**	(867,859)
Proceeds from disposal of property, plant and equipment		**44,370**	235,900
Proceeds from disposal of available-for-sale financial assets		**—**	206,799
Advances from/(to) associates		**2,040**	(714,858)
Acquisition of subsidiaries, net of cash acquired	33	**(1,829,879)**	1,993,584
Acquisition of additional interests in a subsidiary		**—**	(4)
Disposal of subsidiaries, net of cash disposed of HK$312,425	34	**—**	115,150
Net cash (used in)/generated from investing activities		**(6,599,562)**	999,357
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**3,776,000**	95,295,200
Share issue costs		**—**	(3,927,500)
Capital contributions from minority interests		**—**	98,000
Net cash generated from financing activities		**3,776,000**	91,465,700
Net (decrease)/increase in cash and cash equivalents		**(32,195,882)**	83,616,164
Cash and cash equivalents at beginning of year		**96,807,781**	12,222,927
Exchange gains on cash and cash equivalents		**2,776,985**	968,690
Cash and cash equivalents at end of year	26	**67,388,884**	96,807,781
Net cash (outflow)/inflow on acquisition of subsidiaries:			
Direct costs relating to the acquisition, settled in cash		**—**	(734,364)
Purchase consideration, settled in cash		**(5,632,500)**	—
Cash and cash equivalents in subsidiaries acquired		**3,802,621**	2,727,948
		(1,829,879)	1,993,584

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

1. GENERAL INFORMATION

First China Financial Holdings Limited (the "Company") and its subsidiaries (together the "Group") 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.

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 registered office is situated at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KYI-1111, Cayman Islands. The Company's principal place of business is situated at Suites 2802-4, 28th Floor, Tower 6, the Gateway, Harbour City, No.9 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in Hong Kong dollars (HK$) unless otherwise stated. These consolidated financial statements were approved and authorized for issue by the board of directors on 23 March 2009.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group had applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

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 results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

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 & 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 8	Operating Segments[2]
HK (IFRIC) — Int 13	Customer Loyalty Programmes[4]
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[5]
HK (IFRIC) — Int 17	Distributions of Non-cash Assets to Owners[3]
HK (IFRIC) — Int 18	Transfers of Assets from Customers[6]

1 Effective for annual periods beginning on or after 1 January 2009 except for 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 beginning on or after 1 July 2008

5 Effective for annual periods beginning on or after 1 October 2008

6 Effective for transfers of assets from customers received on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of preparation

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

The preparation of financial statements in conformity with HKFRSs 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 areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

Change in the presentation of revenue

In prior years, revenue included income from provision of stock information and research net of the reasonable charges incurred by 深圳富盟網絡技術有限公司 (transliterated as "Shenzhen Wealth Alliance Networking Company Limited") under the cooperation agreement dated 1 July 2007 and the sale proceeds from securities trading, while the related costs of securities trading were presented as cost of sales within cost of sales and services.

In the current year, the Group has revised the presentation of revenue in order to provide more relevant information in respect of the Group's operations and to conform with market practices.

The gross income from provision of stock information and research is presented without netting off the reasonable charges incurred by Wealth Alliance, and the sales proceeds from securities trading are offset against the costs of securities trading and are presented as net fair value (losses)/gains on securities trading in the consolidated income statement within revenue.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.1 Basis of preparation *(continued)*

Change in the presentation of revenue (continued)

The effects of the change in the presentation of revenue have been accounted for retrospectively with comparative figures restated. The specific line items affected are as follows:

	The Group	
	2008	2007
	HK$	HK$
Increase in income from provision of stock information and research (included within revenue)	**11,728,428**	1,364,000
Decrease in trading and principal investment (included within revenue)	**(23,150,483)**	(69,583,627)
Decrease in cost of sales and services	**11,446,238**	68,218,713
(Increase)/decrease in net fair value (losses)/gains on securities trading (included within revenue)	**(24,183)**	914
Effect on loss for the year	**—**	—
Effect on basic and diluted loss per share attributable to ordinary equity holders of the Company	**—**	—

These changes do not have any impact on the results of the Group in respect of the current and prior years.

3.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Consolidation *(continued)*

(a) Subsidiaries (continued)

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group and are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Consolidation *(continued)*

(c) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognized in the consolidated income statement.

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividend received and receivable.

3.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in equity.

Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.4 Foreign currency translation *(continued)*

(c) Group companies (continued)

- all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated, using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Over the term of leases
Office equipment and furniture	3 to 5 years
Computer equipment	3 years
Motor vehicle	3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Trading rights

The Group's intangible assets include eligibility rights to trade on or through the Stock Exchange and on the Hong Kong Futures Exchange Limited, which are carried at cost less accumulated amortization and accumulated impairment losses.

3.7 Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.8 Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivable and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "trade receivables", "other receivables" and "bank balances and cash" in the balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date (the date on which the Group commits to purchase or sell the asset). Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.8 Financial assets *(continued)*

Recognition and measurement *(continued)*

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated income statement within "revenue", in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in profit or loss; translation differences on non-monetary securities are recognized in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated income statement as "net gains and losses from equity on disposal/impairment of available-for-sale financial assets from investment securities".

Interest on available-for-sale securities calculated using the effective interest method is recognized in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the consolidated income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets in impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss) is removed from equity and recognized in the consolidated income statement. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.9 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the consolidated income statement.

3.10 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3.11 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.12 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

3.13 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designed as at fair value through profit or loss is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with HKAS 18 Revenue.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.14 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.15 Employee benefits

(a) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully within the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme. As at the balance sheet date, the total amount of forfeited contributions, which arose upon employees leaving the MPF Scheme and available to reduce the contribution payable in future years was nil (2007: Nil).

Retirement benefits to employees in the People's Republic of China (the "PRC") are provided through a defined contribution plan. The Group is required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to income statement as they become payable in accordance with the rules of the central pension scheme. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.15 Employee benefits *(continued)*

(c) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

3.16 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the services provided in the ordinary course of the Group's activities. Revenue is recognized when it is probable that future economic benefits will flow to the Group and when the amount of revenue can be measured reliably, on the following bases:

(a) Commission income from securities and futures brokerage is recognized on a trade date basis.

(b) Fees and service income are recognized when the relevant transactions have been arranged or the relevant services have been rendered.

(c) Realized fair value gains or losses on securities trading are recorded on a trade date basis whilst unrealized fair value gains or losses are recorded on change in fair value on the balance sheet date.

(d) Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

(e) Dividend income is recognized when the right to receive payment is established.

3.18 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated income statement on a straight-line basis over the period of the lease.

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Transactional currency exposures arise from the sales or purchase by operating units in currency other than the unit's functional currency. The Group's exposure to foreign currency risk is minimal as almost all of the Group's revenue and costs are denominated in the functional currencies of the operating units. The Group manages the foreign exchange exposure arising from its normal course of business activities and investments in foreign operations by funding its local operations and investments through cash flow generated from business transactions locally. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

4. FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) Price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale financial assets (Note 22) and held-for-trading investments (Note 23) as at 31 December 2008. The Group's listed investments are listed in Hong Kong and are valued at quoted market prices at the balance sheet date.

The following table demonstrates the sensitivity to every 5% increase/decrease in the fair values of the equity investments with all other variables held constant and before any impact on tax, based on their carrying amounts at the balance sheet date.

	Increase/ (decrease) in carrying amount of equity investments HK$	Increase/ (decrease) in loss before income tax HK$	Increase/ (decrease) in equity HK$
2008			
Equity securities listed in Hong Kong			
5% increase in equity price	**38,466**	**1,731**	**38,466**
5% decrease in equity price	**(38,466)**	**(1,731)**	**(38,466)**
2007			
Equity securities listed in Hong Kong			
5% increase in equity price	62,603	—	62,603
5% decrease in equity price	(62,603)	—	(62,603)

(iii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates and the directors consider the cash flow and fair value interest rate risk is insignificant to the Group.

4. FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(b) Credit risk

The Group reviews the recoverability of its financial assets periodically to ensure that potential credit risk of the counterparty is managed at an early stage and sufficient provision is made for possible defaults. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

At the balance sheet date, the Group has certain concentrations of credit risk as 77% (2007: 43%) and 96% (2007: 89%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 24 to the consolidated financial statements.

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors. The Group manages liquidity risk by maintaining adequate reserves and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

At 31 December 2008, the Group did not have any bank borrowings (2007: Nil).

4. FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(c) Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

	On demand or within 1 year HK$	More than 1 year but less than 5 years HK$	Total HK$
2008			
Trade payables	**9,278,106**	**—**	**9,278,106**
Other payables	**3,094,902**	**—**	**3,094,902**
Amount due to an associate	**74,813**	**—**	**74,813**
2007			
Trade payables	16,779,658	—	16,779,658
Other payables	25,626,170	—	25,626,170
Amount due to an associate	72,773	—	72,773

4.2 Capital risk management

Certain of the Group's subsidiaries are regulated by the Securities and Futures Commission of Hong Kong (the "SFC") and are required to comply with certain minimum capital requirements according to the rules of the SFC. In addition, the Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt (including current and non-current liabilities but excluding current or deferred income tax liabilities as shown in the consolidated balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity (including share capital and premium, reserves, accumulated losses and minority interests as shown in the consolidated balance sheet).

4. FINANCIAL RISK MANAGEMENT *(continued)*

4.2 Capital risk management *(continued)*

During 2008, the Group's strategy, which was unchanged from 2007, was to maintain a debt-to-adjusted capital ratio within 0% to 5%. The debt-to-adjusted capital ratios at 31 December 2008 and 2007 were as follows:

	2008 HK$	2007 HK$
Total debt	**16,860,337**	42,478,601
Less: Bank balances and cash, including bank trust accounts (Note 26)	**74,379,252**	108,683,840
Net debt	**—**	—
Total equity	**155,770,810**	626,426,712
Adjusted capital	**155,770,810**	626,426,712
Debt-to-adjusted capital ratio	**0%**	0%

4.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as held-for-trading investments and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying values less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. FINANCIAL RISK MANAGEMENT *(continued)*

4.4 Financial instruments by category

The carrying amounts of each of the categories of financial instruments at the balance sheet date are as follows:

2008	Available-for-sale financial assets HK$	Financial assets at fair value through profit or loss HK$	Loans and receivables HK$	Total HK$
Financial assets as per consolidated balance sheet				
Statutory deposits and other assets	—	—	3,790,518	3,790,518
Available-for-sale financial assets	734,692	—	—	734,692
Held-for-trading investments	—	34,620	—	34,620
Trade receivables	—	—	34,128,938	34,128,938
Other receivables	—	—	24,385,394	24,385,394
Bank balances and cash	—	—	74,379,252	74,379,252
	734,692	34,620	136,684,102	137,453,414

	Financial liabilities at amortized cost HK$	Total HK$
Financial liabilities as per consolidated balance sheet		
Trade payables	9,278,106	9,278,106
Other payables	3,094,902	3,094,902
Amount due to an associate	74,813	74,813
	12,447,821	12,447,821

4. FINANCIAL RISK MANAGEMENT *(continued)*

4.4 Financial instruments by category *(continued)*

2007	Available-for-sale financial assets HK$	Loans and receivables HK$	Total HK$
Financial assets as per consolidated balance sheet			
Statutory deposits and other assets	—	2,030,000	2,030,000
Available-for-sale financial assets	1,252,060	—	1,252,060
Trade receivables	—	37,293,670	37,293,670
Other receivables	—	27,619,027	27,619,027
Amount due from an associate	—	548,868	548,868
Bank balances and cash	—	108,683,840	108,683,840
	1,252,060	176,175,405	177,427,465

	Financial liabilities at amortized cost HK$	Total HK$
Financial liabilities as per consolidated balance sheet		
Trade payables	16,779,658	16,779,658
Other payables	25,626,170	25,626,170
Amount due to an associate	72,773	72,773
	42,478,601	42,478,601

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3.7. The recoverable amounts of cash-generating units ("CGU") have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Estimated impairment of trade and other receivables

The Group's management determines the impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment of trade and other receivables at the balance sheet date.

6. REVENUE

	2008 **HK$**	2007 HK$ (As restated) (Note 3.1)
Income from provision of a trading platform	**148,936**	170,286
Commission income from securities and futures brokerage, and infrastructure broking service fee	**2,760,698**	7,822,648
Interest income from clients	**554,190**	486,024
Income from provision of corporate finance services	**13,388**	657,816
Net fair value (losses)/gains on securities trading	**(24,183)**	914
Income from provision of wealth management services	**10,715,602**	23,438,336
Income from provision of stock information and research	**57,986,403**	11,474,172
	72,155,034	44,050,196

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

7. SEGMENT INFORMATION

(a) Primary reporting format — business segments

As at 31 December 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 year ended 31 December 2008 are as follows:

	Provision of a trading platform HK$	Provision of brokerage and securities margin financing, and infrastructure broking services HK$	Provision of corporate finance services HK$	Trading and principal investment HK$	Provision of wealth management services HK$	Provision of stock information and research HK$	Total HK$
Segment revenue from external customers	148,936	3,314,888	13,388	(24,183)	10,715,602	57,986,403	72,155,034
Operating results	12,523	(5,937,681)	(756,587)	(1,081,564)	182,609	35,311,048	27,730,348
Impairment of goodwill	—	—	—	—	—	(635,784,473)	(635,784,473)
Segment results	12,523	(5,937,681)	(756,587)	(1,081,564)	182,609	(600,473,425)	(608,054,125)
Net unallocated expenses							(12,782,454)
Interest expenses							(9,733)
Interest income							967,937
Share of profit of associates							12,699
Loss before income tax							(619,865,676)
Income tax expense							(6,410,352)
Loss for the year							(626,276,028)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

7. SEGMENT INFORMATION *(continued)*

(a) Primary reporting format — business segments *(continued)*

The segment results for the year ended 31 December 2007 are as follows:

	Provision of a trading platform HK$	Provision of brokerage and securities margin financing, and infrastructure broking services HK$	Provision of corporate finance services HK$	Trading and principal investment HK$ (As restated) (Note 3.1)	Provision of wealth management services HK$	Provision of stock information and research HK$ (As restated) (Note 3.1)	Total HK$ (As restated) (Note 3.1)
Segment revenue from external customers	170,286	8,308,672	657,816	914	23,438,336	11,474,172	44,050,196
Operating results and segment results	16,976	(1,073,886)	(6,444,632)	(10,492,822)	949,901	8,993,192	(8,051,271)
Net unallocated expenses							(14,851,342)
Interest expenses							(166,900)
Interest income							503,619
Share of loss of associates							(752,189)
Loss before income tax							(23,318,083)
Income tax expense							(1,349,477)
Loss for the year							(24,667,560)

7. SEGMENT INFORMATION *(continued)*

(a) Primary reporting format — business segments *(continued)*

Other segment information for the year ended 31 December 2008 is as follows:

	Provision of a trading platform HK$	Provision of brokerage and securities margin financing, and infrastructure broking services HK$	Provision of corporate finance services HK$	Trading and principal investment HK$	Provision of wealth management services HK$	Provision of stock information and research HK$	Unallocated HK$	Total HK$
Depreciation and amortization	—	**830,940**	**18,126**	**42,934**	**16,774**	**796,571**	**800,938**	**2,506,283**
Impairment of goodwill	—	—	—	—	—	**635,784,473**	—	**635,784,473**
Impairment of amount due from an associate	—	—	**571,570**	—	—	—	—	**571,570**
Impairment of trade receivables	—	—	—	—	—	**2,244,960**	—	**2,244,960**

Other segment information for the year ended 31 December 2007 is as follows:

	Provision of a trading platform HK$	Provision of brokerage and securities margin financing, and infrastructure broking services HK$	Provision of corporate finance services HK$	Trading and principal investment HK$	Provision of wealth management services HK$	Provision of stock information and research HK$	Unallocated HK$	Total HK$
Depreciation and amortization	—	949,968	288,345	—	12,719	93,395	490,395	1,834,822
Impairment of available-for-sale financial assets	—	—	—	322,850	—	—	—	322,850
Impairment of investments in associates	—	—	—	10,430,505	14	—	—	10,430,519
Impairment of trade receivables	—	—	2,193,375	—	—	—	—	2,193,375

Segment assets consist primarily property, plant and equipment, intangible assets, statutory deposits and other assets, investments in associates, available-for-sale financial assets, held-for-trading investments, trade and other receivables, and bank balances and cash. Segment liabilities comprise operating liabilities.

7. SEGMENT INFORMATION *(continued)*

(a) Primary reporting format — business segments *(continued)*

The segment assets and liabilities as at 31 December 2008 and capital expenditure for the year then ended are as follows:

	Provision of a trading platform HK$	Provision of brokerage and securities margin financing, and infrastructure broking services HK$	Provision of corporate finance services HK$	Trading and principal investment HK$	Provision of wealth management services HK$	Provision of stock information and research HK$	Unallocated HK$	Total HK$
Segment assets	**47,048**	**50,407,164**	**492,547**	**1,972,048**	**1,543,759**	**87,922,114**	**30,728,217**	**173,112,897**
Investments in associates	**—**	**—**	**—**	**—**	**149,697**	**—**	**—**	**149,697**
	47,048	**50,407,164**	**492,547**	**1,972,048**	**1,693,456**	**87,922,114**	**30,728,217**	**173,262,594**
Segment liabilities	**1,810**	**8,531,059**	**404,607**	**324,078**	**933,414**	**6,500,841**	**795,975**	**17,491,784**
Capital expenditure								
Additions of property, plant and equipment	**—**	**2,536,598**	**—**	**—**	**107,870**	**661,813**	**1,567,181**	**4,873,462**
Additions of statutory deposits and other assets	**—**	**—**	**—**	**—**	**—**	**—**	**1,760,518**	**1,760,518**
Additions of intangible assets	**—**	**—**	**—**	**—**	**—**	**172,220,630**	**—**	**172,220,630**

The segment assets and liabilities as at 31 December 2007 and capital expenditure for the year then ended are as follows:

	Provision of a trading platform HK$	Provision of brokerage and securities margin financing, and infrastructure broking services HK$	Provision of corporate finance services HK$	Trading and principal investment HK$	Provision of wealth management services HK$	Provision of stock information and research HK$	Unallocated HK$	Total HK$
Segment assets	35,056	39,990,995	3,092,809	677,377	5,454,079	556,036,265	68,411,567	673,698,148
Investments in associates	—	—	—	—	136,998	—	—	136,998
	35,056	39,990,995	3,092,809	677,377	5,591,077	556,036,265	68,411,567	673,835,146
Segment liabilities	2,341	12,516,676	414,771	4,369,128	627,500	28,084,506	1,393,512	47,408,434
Capital expenditure								
Additions of property, plant and equipment	—	79,153	759,716	—	7,330	3,315,622	21,660	4,183,481
Additions of intangible assets	—	—	—	—	—	491,663,843	—	491,663,843

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For the year ended 31 December 2008

7. SEGMENT INFORMATION *(continued)*

(b) Secondary reporting format — geographical segments

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

	2008 HK$	2007 HK$ (As restated) (Note 3.1)
Revenue		
Hong Kong	**14,149,120**	32,149,019
Singapore	**—**	427,005
The PRC	**58,005,914**	11,474,172
	72,155,034	44,050,196

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

	2008 HK$	2007 HK$
Total assets		
Hong Kong	**84,118,025**	116,879,802
Singapore	**174,356**	782,081
The PRC	**88,820,516**	556,036,265
	173,112,897	673,698,148
Investments in associates	**149,697**	136,998
	173,262,594	673,835,146

Total assets are allocated based on where the assets are located.

	2008 HK$	2007 HK$
Capital expenditure		
Hong Kong	**5,864,297**	841,467
Singapore	**—**	26,392
The PRC	**172,990,313**	494,979,465
	178,854,610	495,847,324

Capital expenditure is allocated on where the assets are located.

8. OTHER GAINS

	2008 HK$	2007 HK$
Gain on disposal of property, plant and equipment	**27,790**	—
Gain on disposal of subsidiaries (Note 34)	**—**	1,500
Net gain transferred from equity on disposal of available-for-sale financial assets	**—**	3,789
	27,790	5,289

9. OTHER INCOME

	2008 HK$	2007 HK$
CCASS fee income	**56,888**	264,418
Handling fee income	**153,047**	91,704
Interest income on bank deposits	**947,624**	460,763
Interest income from an associate	**—**	8,662
Other interest income	**20,313**	34,194
Dividend income from listed investments	**33,475**	30,645
Sundry income	**1,240,841**	446,712
	2,452,188	1,337,098

10. LOSS BEFORE INCOME TAX

	2008 HK$	2007 HK$
Loss before income tax has been arrived at after charging:		
Auditors' remuneration	**680,000**	480,000
Loss on disposal of property, plant and equipment	**—**	426,532
Operating lease rentals in respect of rented premises	**3,951,233**	1,714,783

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11. EMPLOYEE BENEFITS EXPENSES

	2008 HK$	2007 HK$
Wages and salaries	**12,703,560**	11,882,580
Share options granted to directors and employees	**—**	5,725,242
Pension costs — defined contribution schemes	**231,863**	330,745
Employee benefits expenses, including directors' remuneration	**12,935,423**	17,938,567

12. DIRECTORS' REMUNERATION

Year ended 31 December 2008

Name of director	Note	Fees HK$	Salaries, allowances, and benefits in kind HK$	Employer's contributions to pension scheme HK$	Total HK$
Executive directors					
Mr. Wang Wenming	(i)	—	639,000	8,000	647,000
Mr. Lee Yiu Sun		—	960,000	12,000	972,000
Mr. Richard Yingneng Yin	(ii)	—	540,000	6,000	546,000
Non-executive directors					
Mr. Richard Yingneng Yin	(ii)	41,957	—	—	41,957
Dr. Kennedy Wong Ying Ho	(iii)	120,000	—	—	120,000
Mr. Wong Chun Kong	(iv)	28,333	—	—	28,333
Independent non-executive directors					
Dr. Tsang Hing Lun		126,250	—	—	126,250
Professor Zhang Benzheng	(v)	31,251	—	—	31,251
Mr. Yen Jong Ling	(vi)	16,333	—	—	16,333
Mr. Michael Wu Wai Chung	(vii)	103,667	—	—	103,667
Dr. Japhet Sebastian Law	(viii)	97,500	—	—	97,500
		565,291	2,139,000	26,000	2,730,291

12. DIRECTORS' REMUNERATION *(continued)*

Year ended 31 December 2007

Name of director	Fees HK$	Salaries, allowances, and benefits in kind HK$	Employee share option benefits HK$	Employer's contributions to pension scheme HK$	Total HK$
Executive directors					
Mr. Richard Yingneng Yin	—	800,000	2,827,280	12,000	3,639,280
Mr. Lee Yiu Sun	—	750,000	706,820	12,000	1,468,820
Non-executive director					
Dr. Kennedy Wong Ying Ho	240,000	—	706,820	—	946,820
Independent non-executive directors					
Mr. Michael Wu Wai Chung	85,000	—	353,410	—	438,410
Dr. Japhet Sebastian Law	95,000	—	353,410	—	448,410
Dr. Tsang Hing Lun	90,000	—	353,410	—	443,410
	510,000	1,550,000	5,301,150	24,000	7,385,150

Notes:

(i) Appointed on 8 May 2008. In addition to the director's remuneration of HK$647,000 disclosed above, Mr. Wang Wenming also received employee's emoluments of RMB45,000 (equivalent to HK$50,512) for the period from 1 January 2008 to 31 March 2008.

(ii) Re-designated as a non-executive director on 12 June 2008 and resigned on 9 December 2008.

(iii) Resigned on 11 July 2008.

(iv) Appointed as the alternate director to Dr. Kennedy Wong Ying Ho on 8 May 2008, appointed as a non-executive director on 11 July 2008 and resigned on 10 November 2008.

(v) Appointed on 30 September 2008.

(vi) Appointed on 12 November 2008.

(vii) Resigned on 12 November 2008.

(viii) Resigned on 1 October 2008.

12. DIRECTORS' REMUNERATION *(continued)*

No share options were granted to the directors of the Company under the Company's share option scheme during the year ended 31 December 2008 (2007: 30,000,000 share options).

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2007: Nil). None of the directors waived or agreed to waive any remuneration during the year (2007: Nil).

13. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group include three (2007: three) directors, details of whose remuneration are set out in Note 12. The emoluments payable to the remaining two (2007: two) individuals for the year are as follows:

	2008 **HK$**	2007 HK$
Salaries, allowances and benefits in kind	**1,344,000**	1,520,868
Employee share option benefits	**—**	176,705
Pension costs - defined contribution scheme	**24,000**	30,258
	1,368,000	1,727,831

Their emoluments fell within the following bands:

	2008 **Number of** **individuals**	2007 Number of individuals
Nil to HK$1,000,000	**2**	2

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2007: Nil).

14. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at the rate of 16.5% (2007:17.5%) on the estimated assessable profit arising in or derived from Hong Kong for the year. No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred a tax loss for the year (2007: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2008 **HK$**	2007 HK$
Current income tax		
— Hong Kong Profits Tax	**—**	—
— PRC Corporate Income Tax	**6,410,352**	1,349,477
	6,410,352	1,349,477

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the Hong Kong Profits Tax rate of 16.5% (2007: 17.5%) as follows:

	2008 **HK$**	2007 HK$
Loss before income tax	**(619,865,676)**	(23,318,083)
Tax calculated at Hong Kong Profits Tax rate of 16.5% (2007:17.5%)	**(102,277,837)**	(4,080,665)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**493,001**	(211,752)
Income not subject to tax	**(161,881)**	(84,713)
Expenses not deductible for tax purposes	**105,265,904**	1,908,783
Others	**3,091,165**	3,817,824
Tax charge	**6,410,352**	1,349,477

No deferred tax liabilities have been recognized in the financial statements as the Group and the Company did not have material temporary difference arising between the tax bases of assets and liabilities and their carrying amounts as at 31 December 2008 (2007: Nil).

A deferred tax asset has not been recognized in the financial statements in respect of estimated unused tax losses available for offset against future profits due to the uncertainty of future profit streams. These unrecognized temporary differences have no expiry date.

14. INCOME TAX EXPENSE *(continued)*

As at 31 December 2008, the unrecognized deferred tax assets of the Group and of the Company are as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Unused tax losses	**20,622,450**	18,282,176	**10,257,684**	9,212,028

15. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$652,535,650 (2007: HK$18,172,283).

16. LOSS PER SHARE

Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company for the year ended 31 December 2008 of HK$626,262,225 (2007: HK$24,655,055) by the weighted average number of 2,578,696,000 (2007: 2,298,434,000) ordinary shares in issue during the year.

Diluted

The computation of diluted loss per share did not assume the exercise of the Company's share options outstanding during the years ended 31 December 2007 and 2008 since their exercise would result in a decrease in loss per share.

17. PROPERTY, PLANT AND EQUIPMENT

The Group	Leasehold improvements HK$	Office equipment and furniture HK$	Computer equipment HK$	Motor vehicles HK$	Total HK$
As at 1 January 2007					
Cost	1,270,068	1,203,662	1,918,063	272,760	4,664,553
Accumulated depreciation	(569,634)	(840,760)	(850,793)	(136,380)	(2,397,567)
Net book amount	700,434	362,902	1,067,270	136,380	2,266,986
Year ended 31 December 2007					
Opening net book amount	700,434	362,902	1,067,270	136,380	2,266,986
Additions	699,500	88,853	79,506	—	867,859
Acquisition of subsidiaries (Note 33(b))	—	1,560,851	—	1,754,771	3,315,622
Exchange differences	(8,559)	30,646	(104)	32,683	54,666
Disposals	(46,884)	(242,240)	(373,308)	—	(662,432)
Disposal of subsidiaries	—	(10,189)	(12,482)	—	(22,671)
Depreciation	(668,935)	(169,587)	(339,403)	(69,849)	(1,247,774)
Closing net book amount	675,556	1,621,236	421,479	1,853,985	4,572,256
As at 31 December 2007					
Cost	1,648,997	1,989,122	1,018,078	2,060,427	6,716,624
Accumulated depreciation	(973,441)	(367,886)	(596,599)	(206,442)	(2,144,368)
Net book amount	675,556	1,621,236	421,479	1,853,985	4,572,256
Year ended 31 December 2008					
Opening net book amount	675,556	1,621,236	421,479	1,853,985	4,572,256
Additions	1,977,813	621,399	1,711,466	538,890	4,849,568
Acquisition of subsidiaries (Note 33(a))	—	23,894	—	—	23,894
Exchange differences	24,304	88,709	943	107,726	221,682
Disposals	—	(16,580)	—	—	(16,580)
Depreciation	(878,295)	(687,826)	(664,345)	(241,235)	(2,471,701)
Closing net book amount	**1,799,378**	**1,650,832**	**1,469,543**	**2,259,366**	**7,179,119**
As at 31 December 2008					
Cost	2,716,798	2,547,349	2,730,721	2,711,035	10,705,903
Accumulated depreciation	(917,420)	(896,517)	(1,261,178)	(451,669)	(3,526,784)
Net book amount	**1,799,378**	**1,650,832**	**1,469,543**	**2,259,366**	**7,179,119**

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Company	Leasehold improvements HK$	Office equipment and furniture HK$	Computer equipment HK$	Total HK$
As at 1 January 2007				
Cost	953,497	195,227	725,404	1,874,128
Accumulated depreciation	(423,775)	(135,324)	(321,543)	(880,642)
Net book amount	529,722	59,903	403,861	993,486
Year ended 31 December 2007				
Opening net book amount	529,722	59,903	403,861	993,486
Additions	—	12,500	9,160	21,660
Disposals	—	—	(148,063)	(148,063)
Depreciation	(317,832)	(32,813)	(139,750)	(490,395)
Closing net book amount	211,890	39,590	125,208	376,688
As at 31 December 2007				
Cost	953,497	202,029	424,012	1,579,538
Accumulated depreciation	(741,607)	(162,439)	(298,804)	(1,202,850)
Net book amount	211,890	39,590	125,208	376,688
Year ended 31 December 2008				
Opening net book amount	211,890	39,590	125,208	376,688
Additions	1,160,890	324,799	81,492	1,567,181
Disposals	—	(16,580)	—	(16,580)
Depreciation	(276,382)	(41,305)	(110,698)	(428,385)
Closing net book amount	**1,096,398**	**306,504**	**96,002**	**1,498,904**
As at 31 December 2008				
Cost	1,160,890	339,292	505,504	2,005,686
Accumulated depreciation	(64,492)	(32,788)	(409,502)	(506,782)
Net book amount	**1,096,398**	**306,504**	**96,002**	**1,498,904**

18. INTANGIBLE ASSETS

The Group	Goodwill HK$	Trading rights HK$	Total HK$
As at 1 January 2007			
Cost	—	3,592,000	3,592,000
Accumulated amortization	—	(2,970,368)	(2,970,368)
Net book amount	—	621,632	621,632
Year ended 31 December 2007			
Opening net book amount	—	621,632	621,632
Acquisition of subsidiaries (Note 33(b))	491,663,843	—	491,663,843
Amortization charge	—	(587,048)	(587,048)
Closing net book amount	491,663,843	34,584	491,698,427
As at 31 December 2007			
Cost	491,663,843	3,592,000	495,255,843
Accumulated amortization	—	(3,557,416)	(3,557,416)
Net book amount	491,663,843	34,584	491,698,427
Year ended 31 December 2008			
Opening net book amount	491,663,843	34,584	491,698,427
Adjustments to the cost of business combination in prior year (Note (iv))	170,368,158	—	170,368,158
Acquisition of subsidiaries (Note 33(a))	1,852,472	—	1,852,472
Impairment (Note (vi))	(635,784,473)	—	(635,784,473)
Amortization charge	—	(34,582)	(34,582)
Closing net book amount	**28,100,000**	**2**	**28,100,002**
As at 31 December 2008			
Cost	663,884,473	3,592,000	667,476,473
Accumulated amortization and impairment	(635,784,473)	(3,591,998)	(639,376,471)
Net book amount	**28,100,000**	**2**	**28,100,002**

18. INTANGIBLE ASSETS *(continued)*

Notes:

(i) The trading rights as at 31 December 2008 represent two trading rights in the Stock Exchange and one trading right in the Hong Kong Futures Exchange Limited.

(ii) On 16 November 2007, the Group completed the acquisition of GoHi Holdings Limited and its subsidiary (collectively, the "GoHi Group"). The related goodwill arising from the aforesaid acquisition amounted to HK$491,663,843 (Note 33(b)).

(iii) On 30 May 2008, the Group completed the acquisition of 深圳首華保險經紀有限公司 (formerly known as 深圳市安和信保險經紀有限公司). The related goodwill arising from the aforesaid acquisition amounted to HK$1,852,472 (Note 33(a)).

(iv) The amounts represented the adjustments to the contingent consideration for the acquisition of the GoHi Group during the year ended 31 December 2007 due to the fulfillment of certain conditions as stipulated in the agreements, which resulted in the issue of the Consideration Shares, the Option and the Bonus Shares as further disclosed in Note 33(b).

(v) Goodwill is allocated to the Group's cash-generating unit ("CGU") which is principally engaged in the provision of stock information and research in the PRC. The recoverable amount of a CGU is determined based on value-in-use calculations.

The value-in-use calculation uses pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are ignored. The key assumptions used for the cash flow projections include budgeted revenue and budgeted expenses during the forecasting periods, which are determined by management based on past performance and its expectation of market development. No growth rate has been taken into account in the cash flow projections as the Group considers that the growth rate cannot be reliably estimated. All cash flows are discounted at a discount rate of 14.06% which reflects the specific risks relating to this CGU.

The impairment testing was carried out by management based on the value-in-use calculation and with reference to a valuation carried out by an independent professional valuer, BMI Appraisals Limited.

(vi) The impairment charge arose due to a reassessment of the recoverable amount of the CGU of provision of stock information and research as a result of the recent general downturn in the financial markets.

19. STATUTORY DEPOSITS AND OTHER ASSETS

	The Group	
	2008	2007
	HK$	HK$
Membership of the Chinese Gold and Silver Exchange Society	**1,760,518**	—
Hong Kong Securities Clearing Company Limited ("HKSCC")		
— Contribution fund deposit	**100,000**	100,000
— Admission fee deposit	**100,000**	100,000
The Stock Exchange of Hong Kong Limited		
— Compensation fund deposit	**100,000**	100,000
— Fidelity fund deposit	**100,000**	100,000
— Stamp duty deposit	**30,000**	30,000
HKFE Clearing Corporation Limited ("HKFECC")		
— Reserve fund deposit	**1,500,000**	1,500,000
The Securities and Futures Commission of Hong Kong		
— Deposits for responsible officers	**100,000**	100,000
	3,790,518	2,030,000

20. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2008	2007
	HK$	HK$
Unlisted shares, at cost	**7,114,760**	7,114,760
Impairment	**(2,343,500)**	(2,343,500)
	4,771,260	4,771,260

Amounts due from and due to subsidiaries

The amounts due from and due to subsidiaries as shown on the Company's balance sheet are unsecured, interest-free and repayable on demand. As at 31 December 2008, except for an amount due from a subsidiary of HK$432,579 (2007: HK$435,889) which is denominated in Singapore dollars, the amounts due from and due to subsidiaries are denominated in Hong Kong dollars.

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20. INVESTMENTS IN SUBSIDIARIES *(continued)*

A provision for impairment against the amounts due from subsidiaries of approximately HK$644,000,000 (2007: HK$3,000,000) was recognized as at 31 December 2008 as the recoverable amounts of the amounts due from subsidiaries with reference to the net asset value of the respective subsidiaries were estimated to be less than their carrying amounts. Accordingly, the carrying amounts of the related amounts due from subsidiaries were reduced to their recoverable amounts.

The following is a list of the Company's principal subsidiaries as at 31 December 2008, all of which are wholly owned by the Group:

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operations	Particulars of issued share capital/ registered capital
First China Financial Holdings (BVI) Limited	British Virgin Islands, Limited liability company	Investment holding	611,700 of ordinary share of US$1 each
International Financial Network Capital (Singapore) Pte. Ltd. *	Singapore, Limited liability company	Provision of corporate finance services in Singapore	500,000 ordinary shares of S$1 each
Stockmartnet Limited	Hong Kong, Limited liability company	Securities trading in Hong Kong	3 ordinary shares of HK$1 each
First China Financial Capital Limited (Formerly known as International Financial Network Capital Limited)	Hong Kong, Limited liability company	Provision of corporate finance services in Hong Kong	2,400,000 ordinary shares of HK$1 each
First China Securities Limited	Hong Kong, Limited liability company	Securities brokerage and securities margin financing, and infrastructure broking services in Hong Kong	57,000,000 ordinary shares of HK$1 each (2007: 50,000,000 ordinary shares of HK$1 each)
First China Futures Limited	Hong Kong, Limited liability company	Futures brokerage in Hong Kong	15,000,000 ordinary shares of HK$1 each (2007: 12,000,000 ordinary shares of HK$1 each)
First China Processing Services Limited	Hong Kong, Limited liability company	Provision of a trading platform in Hong Kong	2 ordinary shares of HK$1 each

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operations	Particulars of issued share capital/ registered capital
First China Financial Services Limited	Hong Kong, Limited liability company	Investment holding	1 ordinary share of HK$1 each
First China Bullion Limited	Hong Kong, Limited liability company	Not yet commenced business	6,000,000 ordinary shares of HK$1 each
IFN-GT Financial Holdings Limited	British Virgin Islands, Limited liability company	Investment holding	1 ordinary share of US$1 each
First China Ta Yu Global Wealth Management Limited (Formerly known as GT Wealth Management Limited)	Hong Kong, Limited liability company	Provision of wealth management services in Hong Kong	5,500,000 ordinary shares of HK$1 each
Aceview International Limited	British Virgin Islands, Limited liability company	Investment holding	1 ordinary share of US$1 each
GoHi Holdings Limited	British Virgin Islands, Limited liability company	Investment holding	35,000 ordinary shares of US$1 each
首華證券諮詢(深圳)有限公司 (transliterated as First China Securities Consultancy (Shenzhen) Co., Ltd.)	PRC, Foreign wholly-owned enterprise	Provision of stock information and research in the PRC	Registered capital of RMB14,000,000 (2007: Registered capital of RMB6,000,000)
深圳首華保險經紀有限公司 (transliterated as First China Insurance Broker (Shenzhen) Co., Limited) (formerly known as 深圳市安和信保險經紀有限公司)	PRC, Limited liability company	Provision of insurance broking services in the PRC	Registered capital of RMB5,000,000

* Shares held directly by the Company.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

21. INVESTMENTS IN ASSOCIATES

	The Group	
	2008	2007
	HK$	HK$
Beginning of the year	**136,998**	11,319,706
Impairment (Note (iii))	**—**	(10,430,519)
Share of profit/(loss)	**12,699**	(752,189)
End of the year	**149,697**	136,998
Market values of listed shares (Note (ii))	**N/A**	N/A

Notes:

(i) On 10 March 2006, the Group completed the acquisition of approximately 29.9% equity interests in Tastyfood Holdings Ltd. ("Tastyfood") at a cash consideration of S$2,440,000 (equivalent to approximately HK$11,224,000) and transaction costs of HK$1,383,758. Tastyfood is a company incorporated in Singapore, the shares of which were listed on the main board of the Singapore Exchange Securities Trading Limited and were delisted on 25 April 2008.

(ii) It was impracticable to disclose the market value of listed shares as at 31 December 2007, as trading of the shares of Tastyfood remained suspended since 25 April 2007 through 31 December 2007.

(iii) The impairment of investments in associates included in the consolidated income statement for the year ended 31 December 2007 comprised an amount of HK$14 in respect of the Group's investment in Belgravia GT Asset Management Limited and an amount of HK$10,430,505 in respect of the Group's investment in Tastyfood. The impairment charge in respect of the Group's investment in Tastyfood was made taking into account the net liabilities and continuing losses of Tastyfood as at and for the year ended 31 December 2007 based on its published financial information, and the prolonged suspension in trading of its listed shares.

Details of the Group's associates as at 31 December 2008 are as follows:

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Interest held
GTMI Limited	Hong Kong	Provision of wealth management services	250,000 ordinary shares of HK$1 each	50%
Tastyfood	Singapore	Investment holding	48,800,000 ordinary shares of S$0.10 each	29.9%

21. INVESTMENTS IN ASSOCIATES *(continued)*

The following is the summarized financial information in respect of the Group's associates as extracted from unaudited management accounts or published financial information for the periods ended 31 December 2007 and 2008:

	2008 **HK$**	2007 HK$
Assets	**371,556**	308,893
Liabilities	**8,718,894**	8,119,045
Revenues	**25,953**	155,934
Losses	**698,574**	2,371,073

Amount due from and due to associates

The amount due from Tastyfood is unsecured, interest bearing at 5% per annum, denominated in Singapore dollars and repayable on demand. An impairment in respect of the amount due from Tastyfood of HK$571,570 (2007: Nil) was charged to the consolidated income statement for the year ended 31 December 2008 taking into account the adverse financial position of Tastyfood. The amount due to GTMI Limited is unsecured, interest-free, denominated in Hong Kong dollars and repayable on demand.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2008 **HK$**	2007 HK$
Beginning of the year	**1,252,060**	1,528,366
Disposals	**—**	(206,799)
Impairment	**—**	(322,850)
Net (losses)/gains transferred to equity	**(517,368)**	253,343
End of the year	**734,692**	1,252,060

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

Available-for-sale financial assets include the following:

	The Group	
	2008	2007
	HK$	HK$
Equity securities listed on the Stock Exchange, at market value	**734,692**	1,252,060
Unlisted equity securities, at cost less impairment	**—**	—
	734,692	1,252,060

Available-for-sale financial assets are denominated in the following currencies:

	The Group	
	2008	2007
	HK$	HK$
Hong Kong dollars	**734,692**	1,252,060
Japanese Yen	**—**	—
	734,692	1,252,060

The Group's investment in unlisted equity securities issued by a private enterprise incorporated in Japan with original cost of HK$322,850 was measured at cost less impairment at the balance sheet date because the range of reasonable fair value estimates was so significant that the directors considered that its fair value could not be measured reliably. A provision for impairment of HK$322,850 had been made for the year ended 31 December 2007. The Group does not presently intend to dispose of this investment.

23. HELD-FOR-TRADING INVESTMENTS

	The Group	
	2008	2007
	HK$	HK$
Equity securities listed on the Stock Exchange, at market value	**34,620**	—

The fair value of the above equity securities is based on their current bid prices in an active market.

24. TRADE RECEIVABLES

	The Group	
	2008	2007
	HK$	HK$
Amounts receivable arising from securities broking:		
Margin clients	**548,287**	2,207,961
Cash clients	**240,724**	790,256
Brokers and dealers	**6**	6
HKSCC (net)	**—**	977,460
Amounts receivable arising from futures broking:		
Brokers and dealers	**—**	—
HKFECC	**151,892**	222,945
Other trade receivables	**37,655,204**	35,288,417
	38,596,113	39,487,045
Less: provision for impairment of receivables	**(4,467,175)**	(2,193,375)
Trade receivables, net	**34,128,938**	37,293,670

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$11,228,000 as at 31 December 2008 (2007: 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 the business of securities margin financing.

The settlement terms of amounts receivable arising from securities broking are one or two trade days after the trade 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.

As at 31 December 2008, trade receivables of HK$4,467,175 (2007: HK$2,193,375) were impaired due to unexpected difficulty in collecting the outstanding amounts.

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24. TRADE RECEIVABLES *(continued)*

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 30 to 90 days. Included in other trade receivables of the Group as at 31 December 2008 were trade receivables from Shenzhen Wealth Alliance Networking Company Limited of HK$26,371,171 (2007: HK$16,050,450), which is a wholly-owned subsidiary of 深圳畫天影視傳播有限公司 (transliterated as "Shenzhen Sky Picture Communications Company Limited") (Note 25(b)).

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

	The Group	
	2008	2007
	HK$	HK$
0–30 days	**3,792,662**	12,632,423
31–90 days	**6,194,573**	15,861,493
91–180 days	**7,638,193**	4,494,126
181–365 days	**17,609,021**	107,000
Over 365 days	**2,420,755**	2,193,375
	37,655,204	35,288,417

As at 31 December 2008, other trade receivables of HK$29,395,367 (2007: HK$20,462,619) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The aged analysis of these trade receivables is as follows:

	The Group	
	2008	2007
	HK$	HK$
Up to 90 days	**5,419,706**	15,861,493
91–180 days	**6,139,260**	4,494,126
181–365 days	**17,609,021**	107,000
Over 365 days	**227,380**	—
	29,395,367	20,462,619

24. TRADE RECEIVABLES *(continued)*

As at 31 December 2008, other trade receivables of HK$2,244,960 aged over 90 days (2007: HK$2,193,375 aged over 1 year) were impaired due to unexpected difficulty in collecting the outstanding amounts.

The maximum exposure to credit risk at the reporting date is the carrying amounts of 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.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	The Group	
	2008	2007
	HK$	HK$
Hong Kong dollars	**1,539,708**	6,113,792
RMB	**32,589,230**	31,179,878
	34,128,938	37,293,670

Movements on the provision of impairment of trade receivables are as follows:

	The Group	
	2008	2007
	HK$	HK$
At beginning of the year	**2,193,375**	—
Provision for impairment of trade receivables	**2,244,960**	2,193,375
Exchange difference	**28,840**	—
At end of the year	**4,467,175**	2,193,375

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25. OTHER RECEIVABLES

Included in other receivables of the Group as at 31 December 2008 were the following amounts due from related companies:

	Highest balance outstanding during the year	**The Group**	
		2008	2007
	HK$	**HK$**	HK$
深圳廣信投資有限公司 (transliterated as "Shenzhen Guangxin Investment Company Limited") and its subsidiary (Note (a))	35,600,283	**5,498,426**	18,542,120
Shenzhen Sky Picture Communications Company Limited and its wholly owned subsidiary, Shenzhen Wealth Alliance Networking Company Limited (Note (b))	13,381,139	**12,213,724**	5,759,622
		17,712,150	24,301,742

Notes:

(a) Shenzhen Guangxin Investment Company Limited is a company established in the PRC and is controlled by Ms. Chen Dongjin, the spouse of Mr. Wang Wenming who is a director and a substantial shareholder of the Company.

(b) Shenzhen Sky Picture Communications Company Limited is a company established in the PRC and was previously held as to 20% by Ms. Chen Dongjin and as to 80% by Shenzhen Guangxin Investment Company Limited. The equity interests of Shenzhen Sky Picture Communications Company Limited and Ms. Chen Dongjin in Shenzhen Sky Picture Communications Company Limited were transferred to an independent third party on 7 October 2008 and 4 December 2008 respectively.

(c) The amounts due from the above related companies are unsecured, interest-free, denominated in RMB and repayable on demand.

26. BANK BALANCES AND CASH

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Cash at bank and in hand	**44,597,212**	42,907,835	**351,208**	1,347,265
Short-term bank deposits	**29,782,040**	65,776,005	**22,183,224**	60,276,005
Maximum exposure to credit risk	**74,379,252**	108,683,840	**22,534,432**	61,623,270

The effective interest rate on short-term bank deposit ranges from 0.15% to 1.5% per annum (2007: 2.90% to 3.55% per annum). The deposits had a maturity of 30 days (2007: 15 days).

As at 31 December 2008, the Group had bank balances and cash of approximately HK$1,882,897 (2007: HK$5,216,658) which are denominated in RMB. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

The bank balances are deposited with creditworthy banks with no recent history of default.

Cash and bank balances include the following for the purposes of the cash flow statement:

	The Group	
	2008	2007
	HK$	HK$
Cash at bank and in hand	**44,597,212**	42,907,835
Short-term bank deposit	**29,782,040**	65,776,005
	74,379,252	108,683,840
Segregated trust bank balances	**(6,990,368)**	(11,876,059)
Cash and cash equivalents	**67,388,884**	96,807,781

27. TRADE PAYABLES

	The Group	
	2008	2007
	HK$	HK$
Amounts payable arising from securities broking:		
Margin clients	**2,832,842**	1,023,880
Cash clients	**3,954,910**	10,244,358
HKSCC (net)	**659,540**	—
Amounts payable arising from futures broking:		
Clients	**529,347**	806,810
Other trade payables	**1,301,467**	4,704,610
	9,278,106	16,779,658

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 the business of securities margin financing.

The settlement terms of amounts payable arising from 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 the business of futures broking.

27. TRADE PAYABLES *(continued)*

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

	The Group	
	2008	2007
	HK$	HK$
0–30 days	**641,771**	2,001,384
31–90 days	**64,902**	687,780
91–180 days	**232,023**	2,014,654
181–365 days	**197,780**	792
Over 365 days	**164,991**	—
	1,301,467	4,704,610

The carrying amounts of the Group's trade payables are denominated in Hong Kong dollars.

28. OTHER PAYABLES AND DEFERRED INCOME

Included in other payables and deferred income of the Group as at 31 December 2007 were dividends payable to former shareholders of a subsidiary of HK$19,390,014 prior to acquisition by the Group, an amount due to Shenzhen Wealth Alliance Networking Company Limited of HK$1,070,030 and an amount due to Shenzhen Guangxin Investment Company Limited of HK$113,970. The amounts due to the above related parties were unsecured, interest-free, denominated in RMB and were fully settled during the year ended 31 December 2008.

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29. SHARE CAPITAL AND PREMIUM

	Note	Number of issued shares (in thousands)	Ordinary shares HK$	Share premium HK$	Total HK$
As at 1 January 2007		2,050,034	20,500,340	99,621,355	120,121,695
Issue of shares through:					
Placement	(i)	350,000	3,500,000	26,600,000	30,100,000
Exercise of employee share options	(ii)	8,400	84,000	1,831,200	1,915,200
Exercise of options granted under a subscription agreement	(iii)	30,000	300,000	480,000	780,000
Placement	(iv)	100,000	1,000,000	61,500,000	62,500,000
Share issue costs	(i), (iv)	—	—	(3,927,500)	(3,927,500)
Transfer upon exercise of employee share options	31	—	—	1,484,322	1,484,322
As at 31 December 2007 and 1 January 2008		2,538,434	25,384,340	187,589,377	212,973,717
Issue of shares through:					
Exercise of employee share options	(v)	12,000	120,000	2,616,000	2,736,000
Exercise of options granted under a subscription agreement	(vi)	40,000	400,000	640,000	1,040,000
Issue of Consideration Shares in respect of acquisition of subsidiaries	(vii)	200,000	2,000,000	166,000,000	168,000,000
Issue of Bonus Shares in respect of acquisition of subsidiaries	(vii)	143,689	1,436,892	119,262,048	120,698,940
Transfer upon exercise of employee share options	31	—	—	2,120,460	2,120,460
As at 31 December 2008		**2,934,123**	**29,341,232**	**478,227,885**	**507,569,117**

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 share are fully paid.

29. SHARE CAPITAL AND PREMIUM *(continued)*

Notes:

(i) On 27 April 2007, 350,000,000 shares of HK$0.01 each were issued by way of placement at a price of HK$0.086 per share. The related share issue costs amounting to HK$677,500 have been accounted for as a deduction from share premium in equity.

(ii) On 11 September 2007, 12 September 2007, 14 November 2007 and 7 December 2007, 4,000,000 shares, 2,000,000 shares, 2,000,000 shares and 400,000 shares of HK$0.01 each respectively were issued at a price of HK$0.228 per share by exercise of share options granted under the Share Option Scheme (Note 31).

(iii) On 14 November 2007, 30,000,000 shares of HK$0.01 each were issued at a price of HK$0.026 per share by exercise of options granted under a subscription agreement (Note 32).

(iv) On 20 December 2007, 100,000,000 shares of HK$0.01 each were issued by way of placement at a price of HK$0.625 per share. The related share issue costs amounting to HK$3,250,000 have been accounted for as a deduction from share premium in equity.

(v) On 14 April 2008, 12,000,000 shares of HK$0.01 each were issued at a price of HK$0.228 per share by exercise of share options granted under the Share Option Scheme (Note 31).

(vi) On 14 April 2008 and 18 July 2008, 15,000,000 shares and 25,000,000 shares of HK$0.01 each respectively were issued at a price of HK$0.026 per share by exercise of options granted under a subscription agreement (Note 32).

(vii) On 18 December 2008, 200,000,000 Consideration Shares of HK$0.01 each and 143,689,215 Bonus Shares of HK$0.01 each were issued to the vendor as contingent consideration for the acquisition of the GoHi Group due to the fulfillment of certain conditions as stipulated in the agreements (Note 33(b)).

The ordinary shares issued during the year have the same rights as the other shares then in issue.

30. SPECIAL RESERVE

The special reserve of the Group represents the difference between the nominal amount of the shares issued by the Company and the aggregate of the nominal amount of the issued share capital and share premium of First China Financial Holdings (BVI) Limited acquired pursuant to the corporate reorganization undertaken in preparation for the listing of the Company's shares on GEM on 11 January 2002.

31. SHARE OPTION SCHEME

The Company operates a share option scheme (the "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 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 schemes 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.

The Share Option Scheme was adopted pursuant to a resolution passed on 17 December 2001. The purpose of the Share Option Scheme is to provide the people and the parties working for the interest of the Group with an opportunity to obtain equity interest in the Company, thus linking their interest with the interest of the Group and thereby providing them with an incentive to work better for the interest of the Group. Under the Share Option Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to the Group.

HK$1 is payable on the acceptance of the option per grant. Options may generally be exercised at any time during a period to be notified by the Board to each grantee provided that the period within which the option must be exercised shall not be more than 10 years from the date of grant of the share option.

The exercise price is determined by the Board, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

The Share Option Scheme will remain valid for a period of 10 years commencing on 17 December 2001.

31. SHARE OPTION SCHEME *(continued)*

On 5 September 2007, share options to subscribe for an aggregate of 32,400,000 shares of the Company were granted to certain directors and employees of the Company. The following table discloses the movements of the share options granted under the Share Option Scheme during the year ended 31 December 2008:

				Number of share options			
Name of grantee	Date of grant	Exercise price	Exercisable period	Outstanding as at 1 January 2008	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2008
Executive directors							
Mr. Richard Yingneng Yin	5 September 2007	HK$0.228	05/09/2007– 04/09/2017	**16,000,000**	**(11,000,000)**	**—**	**5,000,000**
Mr. Lee Yiu Sun	5 September 2007	HK$0.228	05/09/2007– 04/09/2017	**4,000,000**	**—**	**—**	**4,000,000**
Independent non-executive director							
Mr. Michael Wu Wai Chung	5 September 2007	HK$0.228	05/09/2007– 04/09/2017	**2,000,000**	**—**	**(2,000,000)**	**—**
Sub-total for directors				**22,000,000**	**(11,000,000)**	**(2,000,000)**	**9,000,000**
2 employees	5 September 2007	HK$0.228	05/09/2007– 04/09/2017	**1,500,000**	**(1,000,000)**	**—**	**500,000**
1 employee	5 September 2007	HK$0.228	05/09/2008– 04/09/2017	**500,000**	**—**	**—**	**500,000**
Sub-total for employees				**2,000,000**	**(1,000,000)**	**—**	**1,000,000**
Total				**24,000,000**	**(12,000,000)**	**(2,000,000)**	**10,000,000**

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31. SHARE OPTION SCHEME *(continued)*

The following table discloses the movements of the share options granted under the Share Option Scheme during the year ended 31 December 2007:

Name of grantee	Date of grant	Exercise price	Exercisable period	Number of share options Granted during the year	Exercised during the year	Outstanding as at 31 December 2007
Executive directors						
Mr. Richard Yingneng Yin	5 September 2007	HK$0.228	05/09/2007–04/09/2017	16,000,000	—	16,000,000
Mr. Lee Yiu Sun	5 September 2007	HK$0.228	05/09/2007–04/09/2017	4,000,000	—	4,000,000
Non-executive director						
Dr. Kennedy Wong Ying Ho	5 September 2007	HK$0.228	05/09/2007–04/09/2017	4,000,000	(4,000,000)	—
Independent non-executive directors						
Mr. Michael Wu Wai Chung	5 September 2007	HK$0.228	05/09/2007–04/09/2017	2,000,000	—	2,000,000
Dr. Japhet Sebastian Law	5 September 2007	HK$0.228	05/09/2007–04/09/2017	2,000,000	(2,000,000)	—
Dr. Tsang Hing Lun	5 September 2007	HK$0.228	05/09/2007–04/09/2017	2,000,000	(2,000,000)	—
Sub-total for directors				30,000,000	(8,000,000)	22,000,000
4 employees	5 September 2007	HK$0.228	05/09/2007–04/09/2017	1,900,000	(400,000)	1,500,000
1 employee	5 September 2007	HK$0.228	05/09/2008–04/09/2017	500,000	—	500,000
Sub-total for employees				2,400,000	(400,000)	2,000,000
Total				32,400,000	(8,400,000)	24,000,000

The fair values of the share options granted during the year ended 31 December 2007 were determined based on independent professional valuation which incorporated an option pricing model. The significant inputs into the model included share price of HK$0.228 at the grant date, exercise price of HK$0.228, volatility of 102.57%, dividend yield of 0%, expected option life of 5.01 years and annual risk-free rate of 4.26%. The volatility was determined based on the historical volatility of the share prices of the Company over a period that is equal to the expected option life before the grant date. The fair value of the share-based compensation amounting to HK$5,725,242 was included in the consolidated income statement for the year ended 31 December 2007 with a corresponding credit to the share-based compensation reserve.

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31. SHARE OPTION SCHEME *(continued)*

The 12,000,000 (2007: 8,400,000) share options exercised during the year ended 31 December 2008 resulted in the issue of 12,000,000 (2007: 8,400,000) ordinary shares of the Company and new share capital of HK$120,000 (2007: HK$84,000) and share premium of HK$2,616,000 (2007: HK$1,831,200), as further disclosed in Note 29 to the consolidated financial statements. The related weighted average share price at the time of exercise was HK$0.500 (2007: HK$0.436) per share.

As at 31 December 2008, the Company had 10,000,000 (2007: 24,000,000) share options outstanding for the share options granted under the Share Option Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 10,000,000 (2007: 24,000,000) additional ordinary shares of the Company and additional share capital of HK$100,000 (2007: HK$240,000) and share premium of HK$2,180,000 (2007: HK$5,232,000).

32. SUBSCRIPTION AGREEMENT INVOLVING GRANTING OF OPTIONS ON THE COMPANY'S SHARES

Pursuant to a conditional subscription agreement dated 4 February 2005, the Company, inter alia, granted on an one-off basis an aggregate of 350,000,000 new options, of which 250,000,000 were granted to Asia Network Holdings Limited (a corporation controlled by Mr. Richard Yingneng Yin ("Mr. Yin")) and Mr. Yin. Each option represents the right to subscribe for one new ordinary share of HK$0.01 each in the capital of the Company at an exercise price of HK$0.026 per share. The exercisable period of these options is from 29 April 2005 to 28 April 2009.

Movements in the number of options outstanding and their related weighted averaged exercise prices are as follows:

	2008		2007	
	Exercise price per share	**Number of options**	Exercise price per share	Number of options
As at 1 January	**HK$0.026**	**40,000,000**	HK$0.026	70,000,000
Exercised	**HK$0.026**	**(40,000,000)**	HK$0.026	(30,000,000)
As at 31 December	—	—	HK$0.026	40,000,000

The options exercised in the year ended 31 December 2008 resulted in 40,000,000 ordinary shares of HK$0.01 each being issued at HK$0.026 each. The related weighted average share price at the time of exercise was HK$0.406 per share.

The options exercised in the year ended 31 December 2007 resulted in 30,000,000 ordinary shares of HK$0.01 each being issued at HK$0.026 each. The related weighted average share price at the time of exercise was HK$0.850 per share.

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For the year ended 31 December 2008

33. BUSINESS COMBINATIONS

(a) Acquisition of Shenzhen An He Xin Insurance Brokers Company Limited

On 30 May 2008, the Group acquired the entire equity interest of 深圳市安和信保險經紀有限公司 (transliterated as Shenzhen An He Xin Insurance Brokers Company Limited), a company established in the PRC, for a cash consideration of RMB5,000,000 (equivalent to HK$5,632,500). Shenzhen An He Xin Insurance Brokers Company Limited was principally engaged in the provision of insurance broking services in the PRC.

Details of net assets acquired and goodwill were as follows:

	HK$
Purchase consideration:	
— Cash paid	**5,632,500**
Total purchase consideration	**5,632,500**
Fair value of net assets acquired–shown as below	**(3,780,028)**
Goodwill (Note 18)	**1,852,472**

The assets and liabilities as of 30 May 2008 arising from the acquisition were as follows:

	Fair value HK$	Acquiree's carrying amount HK$
Property, plant and equipment	**23,894**	**23,894**
Other receivables	**1,043**	**1,043**
Bank balances and cash	**3,802,621**	**3,802,621**
Other payables	**(47,530)**	**(47,530)**
Net assets		**3,780,028**
Fair value of net assets acquired	**3,780,028**	

Shenzhen An He Xin Insurance Brokers Company Limited contributed revenue of HK$19,511 and net loss of HK$634,957 to the Group for the period from 30 May 2008 to 31 December 2008. If the acquisition had occurred on 1 January 2008, total group revenue for the year ended 31 December 2008 would have been HK$72,169,017 and loss for the year would have been HK$627,342,866. This pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition occurred on 1 January 2008, nor is it intended to be a projection of future results.

33. BUSINESS COMBINATIONS *(continued)*

(b) Acquisition of the GoHi Group

During the year ended 31 December 2007, the Company and its wholly-owned subsidiary, Aceview International Limited entered into a sale and purchase agreement dated 11 July 2007 (as amended by a supplemental agreement dated 30 July 2007) with Fame Treasure Limited (the "Seller") and Mr. Wang Wenming (the "Warrantor"), in relation to the acquisition of the entire issued share capital of GoHi Holdings Limited. GoHi Holdings Limited and its wholly-owned subsidiary, First China Securities Consultancy (Shenzhen) Co., Ltd. (collectively, the "GoHi Group") are principally engaged in the provision of stock information and research in the PRC.

Pursuant to the agreements, the consideration for the acquisition is contingent on, *inter alia*, specified levels of net profits being achieved by the GoHi Group in future periods and was to be satisfied in the following manner:

(i) Issue of 200,000,000 new shares of HK$0.01 each in the capital of the Company (the "Consideration Shares") at each of the next three anniversary dates after completion, subject to the fulfillment of certain conditions as stipulated in the agreements.

(ii) Grant of an option (the "Option") to the Warrantor to subscribe for a maximum of 60,000,000 new shares of HK$0.01 each in the capital of the Company (the "Option Shares") at an exercise price of HK$0.15 per Option Share, in which 20,000,000 Option Shares are exercisable at each of the next three anniversary dates after completion, subject to the fulfillment of certain conditions as stipulated in the agreements.

(iii) Issue of a maximum of 160,000,000 new shares of HK$0.01 each in the capital of the Company (the "Bonus Shares") at each of the next three anniversary dates after completion, subject to the fulfillment of certain conditions as stipulated in the agreements. The actual number of Bonus Shares to be issued for each period, if any, would be based on the excess of the actual net profits being achieved by the GoHi Group in future periods over the net profit guarantee given by the Seller and the Warrantor and the Company's share prices in future periods.

Completion of the aforesaid acquisition took place on 16 November 2007. The fair value of the Consideration Shares to be issued was based the published price of the Company's shares as quoted on the Stock Exchange on 16 November 2007. The fair value of the Option had been included in the cost of combination at the time of initially accounting for the combination to the extent the adjustment to the cost of combination was considered probable, and such fair value was estimated by reference to an independent professional valuation which incorporated an option pricing model with annual risk free rate of 2.67%, volatility of 106.67%, dividend yield of 0% and other parameters according to the terms of the agreements. The fair value of the Bonus Shares to be issued had not been included in the cost of the combination at the time of initially accounting for the combination as it could not be measured reliably.

33. BUSINESS COMBINATIONS *(continued)*

(b) Acquisition of the GoHi Group *(continued)*

Details of net assets acquired and goodwill were as follows:

	HK$
Purchase consideration:	
— Fair value of the Consideration Shares	504,000,000
— Fair value of the Option	14,460,609
— Direct costs relating to the acquisition	1,247,414
Total purchase consideration	519,708,023
Fair value of net assets acquired–shown as below	(28,044,180)
Goodwill (Note 18)	491,663,843

Goodwill arising from acquisition of the GoHi Group was attributable to the anticipated profitability and future development of the GoHi Group in the provision of stock information and research in the PRC and the synergies expected to arise after the Group's acquisition of the GoHi Group.

The assets and liabilities as of 16 November 2007 arising from the acquisition were as follows:

	Fair value HK$	Acquiree's carrying amount HK$
Property, plant and equipment	3,315,622	3,315,622
Trade receivables	14,172,274	14,172,274
Other receivables	59,565,049	59,565,049
Bank balances and cash	2,727,948	2,727,948
Other payables	(48,234,535)	(48,234,535)
Current income tax liabilities	(3,502,178)	(3,502,178)
Net assets		28,044,180
Fair value of net assets acquired	28,044,180	

34. DISPOSAL OF SUBSIDIARIES

On 23 February 2007, the Group disposed of the entire issued share capital in each of GT Asset Management Limited, GT Advisors Limited, GT Asset Management International (Cayman) Limited and GT Fund Management (Cayman) Limited to First Vanguard Group Limited (a former substantial shareholder of the Company) at a cash consideration of HK$427,575 and recorded a gain on disposal of HK$1,500. The results of the subsidiaries disposed of during the year ended 31 December 2007 had no significant impact on the Group's consolidated revenue or loss for that year.

35. OPERATING LEASE COMMITMENTS

As at 31 December 2008, the Group had future aggregated minimum lease payments under non-cancellable operating leases in respect of rented premises as follows:

	The Group	
	2008	2007
	HK$	HK$
No later than one year	**4,732,156**	1,669,165
Later than one year and no later than five years	**5,130,215**	1,765,369
	9,862,371	3,434,534

Leases in respect of rented office premises are negotiated for an average period of three years.

The Company did not have significant operating lease commitments at 31 December 2008 (2007: Nil).

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For the year ended 31 December 2008

36. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following significant related party transactions during the year:

		The Group	
		2008	2007
	Note	**HK$**	HK$
Brokerage commission income earned from directors	(i)	**175,031**	692,567
Reasonable charges incurred by Shenzhen Wealth Alliance Networking Company Limited under the cooperation agreement	(ii)	**11,728,428**	1,364,000
Consultancy fee paid to a subsidiary of Shenzhen Guangxin Investment Company Limited	(iii)	**954,108**	—
Key management compensation			
— Salaries and other short-term employee benefits		**4,048,291**	3,580,868
— Post-employment benefits		**50,000**	54,258
— Share-based payments		**—**	5,477,855
		4,098,291	9,112,981

Notes:

(i) The commission rates were substantially in line with those normally offered by the Group to third party clients. As at 31 December 2008, the outstanding balances with these related parties amounted to HK$118,425 (2007: amounts payables of HK$948,358) in aggregate, which were included in the amounts receivable from margin clients arising from securities broking (Note 24) (2007: amounts payable to cash clients arising from securities broking). The amounts due were unsecured, interest-free and repayable within one or two trade days after the trade execution date.

(ii) The transaction was based on the cooperation agreement dated 1 July 2007 entered into between First China Securities Consultancy (Shenzhen) Co., Ltd. and Shenzhen Wealth Alliance Networking Company Limited for a term of 20 years in respect of their cooperation on the operation of an interactive financial website named Stock Online and the sale of an investor software and information package known as Stock Expert. This related party transaction also constitutes a continuing connected transaction on the part of the Company under the GEM Listing Rules.

(iii) The consultancy fee was based on terms agreed between the parties involved.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

36. SIGNIFICANT RELATED PARTY TRANSACTIONS *(continued)*

The Company has given a corporate guarantee to the extent of HK$45,000,000 (2007: HK$45,000,000) to a bank in respect of general banking facility granted to one of its subsidiaries. During the year ended 31 December 2008, such facility was not utilized by the subsidiary (2007: Nil). In the opinion of the directors, no material liabilities will arise from the above corporate guarantee which arose in the ordinary course of business and fair value of the corporate guarantee granted by the Company is immaterial.

37. EVENT AFTER THE BALANCE SHEET DATE

(i) Subsequent to the balance sheet date, on 14 January 2009, the Option granted in respect of the acquisition of the GoHi Group was exercised by the Warrantor (Note 33(b)). The exercise of the Option resulted in the issue of 20,000,000 ordinary shares of HK$0.01 each in the capital of the Company and new share capital of HK$200,000 and share premium of HK$17,260,609. The related weighted average share price at the time of exercise was HK$0.201 per share.

(ii) Subsequent to the balance sheet date, on 3 March 2009, the Group entered into a series of agreements to acquire control of Shenzhen Sky Picture Communications Company Limited and its subsidiary (collectively, the "Target Group") at a cash consideration of RMB79,000,000. The Target Group owns and operates an interactive financial video channel in the PRC named Stock Online. At the date of this report, management of the Group is still in the midst of determining the financial effect of the acquisition.

FINANCIAL SUMMARY

For the year ended 31 December 2008

A summary of the results and of the assets and liabilities of the Group for the last five financial years as extracted from the published audited financial statements is set out below:

	Year ended 31 December				
	2008	2007	2006	2005	2004
	HK$	HK$	HK$	HK$	HK$
		(As restated)			
RESULTS					
Revenue	**72,155,034**	44,050,196	457,935,641	91,909,528	6,737,390
Loss before income tax	**(619,865,676)**	(23,318,083)	(12,390,227)	(12,022,840)	(10,757,886)
Income tax expense	**(6,410,352)**	(1,349,477)	—	—	—
Loss for the year	**(626,276,028)**	(24,667,560)	(12,390,227)	(12,022,840)	(10,757,886)
Attributable to:					
Equity holders of the Company	**(626,262,225)**	(24,655,055)	(12,390,227)	(12,022,840)	(10,757,886)
Minority interests	**(13,803)**	(12,505)	—	—	—
	(626,276,028)	(24,667,560)	(12,390,227)	(12,022,840)	(10,757,886)

Note: For the year ended 31 December 2007, the revenue was restated as a result of the change in presentation as described in Note 3.1 to the consolidated financial statements for the year ended 31 December 2008. In the opinion of the directors, no restatement of revenue for years ended 31 December 2004, 2005 and 2006 was presented, as it would involve expense and delay out of proportion to the value to the members of the Company.

	As at 31 December				
	2008	2007	2006	2005	2004
	HK$	HK$	HK$	HK$	HK$
			(As restated)		
ASSETS, LIABILITIES AND MINORITY INTERESTS					
Total assets	**173,262,594**	673,835,146	61,334,985	52,239,726	39,092,615
Total liabilities	**(17,491,784)**	(47,408,434)	(26,903,776)	(6,125,534)	(12,538,620)
Minority interests	**(71,693)**	(85,496)	(5)	—	—
	155,699,117	626,341,216	34,431,204	46,114,192	26,553,995