



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

Interim Report 2009



June

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2009

## **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 high 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 (the “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 GEM of The Stock Exchange of Hong Kong Limited. The SFC, Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

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



## HIGHLIGHTS

The Group recorded revenue approximately HK\$42,987,000 for the six months ended 30 June 2009.

Profit attributable to the equity holders of the Company for the six months ended 30 June 2009 amounted to approximately HK\$4,560,000.

Earnings per share was approximately 0.15 Hong Kong cents.

The Directors do not recommend the payment of a dividend for the six months ended 30 June 2009.



## Interim Results (Unaudited)

The board of Directors (the "Board") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2009 together with the comparative unaudited figures for the corresponding period in 2008 were as follows:

### Condensed Consolidated Income Statement

	Note	Three months ended 30 June		Six months ended 30 June	
		2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited) (As restated) (Note 3)	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited) (As restated) (Note 3)
Revenue	4	23,154	20,900	42,987	50,192
Cost of sales and services		—	(2,625)	—	(5,547)
Other income		409	596	635	1,132
Employee benefits expenses		(6,511)	(3,043)	(12,003)	(6,146)
Depreciation of property, plant and equipment		(896)	(595)	(1,762)	(1,110)
Amortization of intangible assets		(1,198)	(158)	(1,598)	(181)
Other operating expenses		(10,118)	(7,043)	(19,008)	(14,819)
Share of loss of associates		(148)	—	(148)	—
Profit before income tax		4,692	8,032	9,103	23,521
Income tax expense	6	(2,136)	(1,275)	(4,543)	(5,538)
Profit for the period		2,556	6,757	4,560	17,983
Attributable to:					
Equity holders of the Company		2,556	6,757	4,560	17,983
Minority interests		—	—	—	—
		2,556	6,757	4,560	17,983
Earnings per share for profit attributable to the equity holders of the Company during the period					
— basic	7	0.09 cents	0.26 cents	0.15 cents	0.71 cents
— diluted	7	0.09 cents	0.26 cents	0.15 cents	0.69 cents

## Condensed Consolidated Balance Sheet

	Note	At 30 June 2009 HK\$'000 (unaudited)	At 31 December 2008 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		8,572	7,179
Intangible assets		175,612	28,100
Statutory deposits and other assets		3,765	3,790
Investments in associates		3,144	150
Available-for-sale financial assets		6,758	735
		<b>197,851</b>	39,954
<b>Current assets</b>			
Held-for-trading investments		36	35
Trade receivables	8	19,231	34,129
Other receivables		26,382	24,766
Bank balances and cash		70,998	74,379
		<b>116,647</b>	133,309
<b>Total assets</b>		<b>314,498</b>	173,263
<b>Current liabilities</b>			
Trade payables	9	43,153	9,278
Other payables and deferred income		28,479	7,507
Amount due to an associate		—	75
Current income tax liabilities		4,400	632
		<b>76,032</b>	17,492
<b>Net current assets</b>		<b>40,615</b>	115,817



	Note	At 30 June 2009 HK\$'000 (unaudited)	At 31 December 2008 HK\$'000 (audited)
<b>Non-current liabilities</b>			
Obligations under the loan of acquisition agreement — amount due after one year		39,760	—
Deferred tax liabilities		34,010	—
		<b>73,770</b>	—
<b>Net assets</b>			
		<b>164,696</b>	155,771
<b>Capital and reserves</b>			
Share capital	10	29,541	29,341
Share premium	10	495,489	478,228
Special reserve		4,779	4,779
Available-for-sale investments revaluation reserve		696	353
Translation reserve		4,696	3,674
Shares to be issued		336,000	336,000
Share options reserve		28,921	43,382
Share-based compensation reserve		795	1,767
Accumulated losses		(736,293)	(741,825)
<b>Equity attributable to the Company's equity holders</b>			
		<b>164,624</b>	155,699
<b>Minority interests</b>			
		<b>72</b>	72
<b>Total equity</b>			
		<b>164,696</b>	155,771

## Condensed Consolidated Statements of Changes in Equity

For the six months ended 30 June 2009

	Attributable to the equity holders of the Company											
	Share capital	Share premium	Special reserve	Available-for-sale investments revaluation reserve	Translation reserve	Shares to be issued	Share options reserve	Share-based compensation reserve	Accumulated losses	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 January 2008	25,384	187,589	4,779	871	932	504,000	14,461	4,241	(115,916)	626,341	86	626,427
Change in fair value of available-for-sale financial assets	—	—	—	(123)	—	—	—	—	—	(123)	—	(123)
Currency translation differences	—	—	—	—	1,223	—	—	—	—	1,223	—	1,223
<b>Total income and expense recognized directly in equity</b>	—	—	—	(123)	1,223	—	—	—	—	1,100	—	1,100
Profit for the period	—	—	—	—	—	—	—	—	17,983	17,983	—	17,983
<b>Total recognized income and expense for the period</b>	—	—	—	(123)	1,223	—	—	—	17,983	19,083	—	19,083
<b>Sub-total</b>	<b>25,384</b>	<b>187,589</b>	<b>4,779</b>	<b>748</b>	<b>2,155</b>	<b>504,000</b>	<b>14,461</b>	<b>4,241</b>	<b>(97,933)</b>	<b>645,424</b>	<b>86</b>	<b>645,510</b>
Share option scheme												
— issue of shares under the share option scheme	120	2,616	—	—	—	—	—	—	—	2,736	—	2,736
— transfer upon exercise of employee share options	—	2,121	—	—	—	—	—	(2,121)	—	—	—	—
Issue of shares upon exercise of options granted under a subscription agreement	150	240	—	—	—	—	—	—	—	390	—	390
Balance at 30 June 2008	25,654	192,566	4,779	748	2,155	504,000	14,461	2,120	(97,933)	648,550	86	648,636
Balance as at 1 January 2009	29,341	478,228	4,779	353	3,674	336,000	43,382	1,767	(741,825)	155,699	72	155,771
Change in fair value of available-for-sale financial assets	—	—	—	343	—	—	—	—	—	343	—	343
Currency translation differences	—	—	—	—	1,022	—	—	—	—	1,022	—	1,022
<b>Total income and expense recognized directly in equity</b>	—	—	—	343	1,022	—	—	—	—	1,365	—	1,365
Profit for the period	—	—	—	—	—	—	—	—	4,560	4,560	—	4,560
<b>Total recognized income and expense for the period</b>	—	—	—	343	1,022	—	—	—	4,560	5,925	—	5,925
<b>Sub-total</b>	<b>29,341</b>	<b>478,228</b>	<b>4,779</b>	<b>696</b>	<b>4,696</b>	<b>336,000</b>	<b>43,382</b>	<b>1,767</b>	<b>(737,265)</b>	<b>161,624</b>	<b>72</b>	<b>161,696</b>
Share option scheme												
— vested share options lapsed	—	—	—	—	—	—	—	(972)	972	—	—	—
Issue of shares upon exercise of options in respect of acquisition of subsidiaries	200	2,800	—	—	—	—	—	—	—	3,000	—	3,000
Transfer upon exercise of options in respect of acquisition of subsidiaries	—	14,461	—	—	—	—	(14,461)	—	—	—	—	—
Balance at 30 June 2009	29,541	495,489	4,779	696	4,696	336,000	28,921	795	(736,293)	164,624	72	164,696



## Condensed Consolidated Cash Flow Statement

For the six months ended  
30 June

	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Net cash generated from/(used in) operating activities	75,382	(18,149)
Net cash used in investing activities	(188,908)	(8,468)
Net cash generated from financing activities	91,772	8,676
Net decrease in cash and cash equivalents	(21,754)	(17,941)
Cash and cash equivalents at beginning of period	67,389	96,808
Cash and cash equivalents at end of period	45,635	78,867
Analysis of the balance of cash and cash equivalents		
Cash at bank and in hand	70,998	90,370
Segregated trust bank balances	(25,363)	(11,503)
	45,635	78,867





Notes:

## **1. General Information**

First China Financial Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in the provision of stock information and research analysis services in Mainland China, provision of securities and futures trading services, corporate finance consultancy services, trading and principal investment in Hong Kong and wealth management services in Hong Kong and the PRC.

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

These unaudited condensed consolidated financial statements are presented in Hong Kong dollars (HK\$) unless otherwise stated.

## **2. Basis of Preparation**

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

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements were consistent with those applied for the financial statements of the Group for the year ended 31 December 2008.

## **3. Change in the Presentation of Revenue**

In prior periods, 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”) (“Wealth Alliance”) 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 period, 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 unaudited condensed consolidated income statement within revenue.

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:

	Three months ended 30 June 2008 HK\$'000 (unaudited)	Six months ended 30 June 2008 HK\$'000 (unaudited)
Increase in income from provision of stock information and research analysis services (included within revenue)	2,558	5,480
Decrease in trading and principal investment (included within revenue)	(13,362)	(20,274)
Decrease in cost of sales and services	10,806	14,815
Increase in net fair value losses on securities trading (included within revenue)	(2)	(21)
Effect on profit for the period	—	—
Effect on basic and diluted profit 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 periods.

#### 4. Revenue

	Three months ended 30 June		Six months ended 30 June	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Income from provision of a trading platform	38	38	75	75
Commission income from securities and futures brokerage	3,095	768	4,948	1,839
Interest income from clients	62	138	148	234
Income from provision of corporate finance consultancy services	—	—	—	—
Net fair value (losses)/gains on securities trading	59	(2)	54	(21)
Income from provision of wealth management services	746	3,605	1,701	8,309
Income from provision of stock information and research analysis services	19,154	16,353	36,061	39,756
	<b>23,154</b>	<b>20,900</b>	<b>42,987</b>	<b>50,192</b>

#### 5. Segment Information

(a) *Primary reporting format — business segments*

As at 30 June 2009, the Group is organized into 6 business segments:

- (i) Provision of a trading platform;
- (ii) Provision of securities and futures trading services;
- (iii) Provision of corporate finance consultancy services;
- (iv) Trading and principal investment;



- (v) Provision of wealth management services; and
- (vi) Provision of stock information and research analysis services.

The segment results for the six months ended 30 June 2009 are as follows:

	Provision of a trading platform HK\$'000 (unaudited)	Provision of securities and futures trading services HK\$'000 (unaudited)	Provision of corporate finance consultancy services HK\$'000 (unaudited)	Trading and principal investment HK\$'000 (unaudited)	Provision of wealth management services HK\$'000 (unaudited)	Provision of stock information and research analysis services HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue from external customers	75	5,096	—	54	1,701	36,061	42,987
Segment results	6	(2,175)	—	54	(1,119)	18,119	14,885
Net unallocated expenses							(5,782)
Profit before income tax							9,103
Income tax expense							(4,543)
Profit for the period							4,560

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

	Provision of a trading platform HK\$'000 (unaudited)	Provision of securities and futures trading services HK\$'000 (unaudited)	Provision of corporate finance consultancy services HK\$'000 (unaudited)	Trading and principal investment HK\$'000 (unaudited) (As restated (Note 3))	Provision of wealth management services HK\$'000 (unaudited)	Provision of stock information and research analysis services HK\$'000 (unaudited) (As restated (Note 3))	Total HK\$'000 (unaudited)
Segment revenue from external customers	75	2,073	—	(21)	8,309	39,756	50,192
Segment results	6	(2,735)	(762)	(20)	955	30,717	28,161
Net unallocated expenses							(4,640)
Profit before income tax							23,521
Income tax expense							(5,538)
Profit for the period							17,983

(b) *Secondary reporting format — geographical segments*

The Group mainly operates in Hong Kong and the PRC.

	For the six months ended	
	30 June 2009 HK\$'000 (unaudited)	30 June 2008 HK\$'000 (unaudited)
<b>Revenue</b>		
Hong Kong	<b>6,908</b>	10,436
The PRC	<b>36,079</b>	39,756
	<b>42,987</b>	50,192

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

## 6. Income Tax Expense

Hong Kong Profits Tax is calculated at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the period. No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred a tax loss for the period (2008: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

## 7. Earnings Per Share

### *Basic*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company for the six months ended 30 June 2009 of approximately HK\$4,560,000 (2008: profit of approximately HK\$17,983,000) by the weighted average number of 2,952,576,254 (2008: 2,550,005,429) ordinary shares in issue during the period.




### *Diluted*

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company for the six months ended 30 June 2009 of approximately HK\$4,560,000 (2008: profit of approximately HK\$17,983,000) by the weighted average number of 2,960,565,204 (2008: 2,602,434,000) ordinary shares in issue during the period.

## 8. Trade Receivables

	<b>At 30 June 2009 HK\$'000 (unaudited)</b>	At 31 December 2008 HK\$'000 (audited)
Amounts receivable arising from securities broking:		
Margin clients	<b>4,448</b>	548
Cash clients	<b>6,495</b>	241
Amounts receivable arising from future broking:		
Brokers and dealers	<b>1,314</b>	—
HKFECC	<b>4,211</b>	152
Other trade receivables	<b>5,037</b>	37,655
	<b>21,505</b>	38,596
Less: provision for impairment of receivables	<b>(2,274)</b>	(4,467)
Trade receivables, net	<b>19,231</b>	34,129

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\$13,745,000 as at 30 June 2009 (31 December 2008: approximately HK\$11,228,000). 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 30 June 2009, trade receivables of approximately HK\$2,274,000 (31 December 2008: approximately HK\$4,467,000) were impaired due to unexpected difficulty in collecting the outstanding amounts.

Other trade receivables arising from the provision of corporate finance consultancy 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 analysis services are with credit term of 30 to 90 days.

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

	<b>At 30 June 2009 HK\$'000 (unaudited)</b>	At 31 December 2008 HK\$'000 (audited)
0-30 days	<b>136</b>	3,793
31-90 days	<b>2,466</b>	6,194
91-180 days	<b>2,404</b>	7,638
181-365 days	—	17,609
Over 365 days	<b>31</b>	2,421
	<b>5,037</b>	37,655

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.



## 9. Trade Payables

	<b>At 30 June 2009 HK\$'000 (unaudited)</b>	At 31 December 2008 HK\$'000 (audited)
Amounts payable arising from securities broking:		
Margin clients	<b>803</b>	2,833
Cash clients	<b>24,920</b>	3,955
HKSCC (net)	<b>8,539</b>	660
Amounts payable arising from futures broking:		
Clients	<b>8,271</b>	529
Other trade payables	<b>620</b>	1,301
	<b>43,153</b>	9,278

Amounts payable to margin clients are repayable 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 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.



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

	<b>At 30 June 2009 HK\$'000 (unaudited)</b>	At 31 December 2008 HK\$'000 (audited)
0-30 days	311	641
31-90 days	—	65
91-180 days	—	232
181-365 days	—	198
Over 365 days	309	165
	<b>620</b>	1,301

## 10. Share Capital and Premium

	<b>Number of issued shares (in thousands)</b>	<b>Ordinary shares HK\$'000</b>	<b>Share premium HK\$'000</b>	<b>Total HK\$'000</b>
As at 1 January 2009	2,934,123	29,341	478,228	507,569
Issue of shares through:				
Exercise of options in respect of acquisition of subsidiaries	20,000	200	2,800	3,000
Transfer upon exercise of options in respect of acquisition of subsidiaries	—	—	14,461	14,461
As at 30 June 2009	2,954,123	29,541	495,489	525,030

The total authorized number of ordinary shares is 10,000,000,000 shares (2008: 10,000,000,000 shares) with a par value of HK\$0.01 per share (2008: HK\$0.01 per share). All issued shares are fully paid.

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

## 11. Dividend

The Directors do not recommend the payment of a dividend for the period ended 30 June 2009 (2008: nil).



## Business Review

Despite the challenging market conditions that the financial services sector still faces in the first half of the year of 2009, the Group continued its capability of delivering profitable results from the first quarter of 2009 to the first half of the year of 2009. The turnover for the six months ended 30 June 2009 amounted to approximately HK\$42.99 million. First China Securities Consultancy (Shenzhen) Co., Ltd. ("First China Shenzhen"), the Group's wholly owned subsidiary in Shenzhen, continued to be the major contributor to the Group's turnover.

## Financial Review

The Group recorded an unaudited turnover of approximately HK\$42.99 million for the six months ended 30 June 2009 compared to that of approximately HK\$50.19 million for the corresponding period in 2008. The decrease is mainly attributable to the reduction of income from provision of wealth management services, and income from provision of stock information and research analysis services during the financial turmoil that is still under recovery. Nevertheless, continuing our success in the first quarter of 2009 of recruiting experienced stockbrokers and developing the business of institutional investors, turnover of commission income from securities and futures brokerage had improved by approximately 2.7 times from approximately HK\$1.84 million for the corresponding period in 2008 to approximately HK\$4.95 million for the period under review.

For the six months ended 30 June 2009, profit attributable to shareholders was approximately HK\$4.56 million, compared to approximately HK\$17.98 million for the corresponding period last year. In line with the reasons attributable to the decrease in revenue due to the financial turmoil, the decrease is mainly caused by the reduction of segment results from provision of wealth management services, which dropped to negative results of HK\$1.12 million in the period under review from HK\$0.96 million from the same period last year and segment results from provision of stock information and research analysis services, which decreased to HK\$18.12 million in the current period from HK\$30.72 million during the financial turmoil that is still under recovery. The earnings per share for the reporting period was approximately 0.15 HK cent while the earnings per share was 0.71 HK cent for the same period last year.



## Outlook

As mentioned in our Annual Report 2008 and First Quarterly Report 2009, the financial services market of PRC continued to be our major focus. In line with our business plan for further developing the PRC market, one of the Group's subsidiaries recently entered into a Joint Venture Agreement with Liaoning TV, further details of which were disclosed in the Company's announcement dated 6 July 2009. The Liaoning First China JV will principally be engaged in the development, operation and management of national financial services cable digital TV channel ("the Channel").

It is envisaged that upon establishment of Liaoning First China JV, besides providing revenue from advertisements generated by the Channel, the Channel will also provide a national trading platform for selling and marketing the Group's products all over China. The Group plans to market through the Channel the Group's products, including "Stock e expert" (a software product for stock analysis and providing stock quotes) and the Group's newly developed products including financial mobile phones, financial mobile terminals and financial mobile netbooks as the media for delivering our stock information research and analysis services.

The Group considers that the JV Agreement is strategically a good fit to Group's business plans and may bring synergies to the Group, and that the operation of the Channel as provided in the JV Agreement will enable the Group to continue its development as a comprehensive financial services provider in the PRC and to improve the coverage and profile of its financial services in the Greater China region.

The new line of business of financial mobile phones recently initiated by our Group was well received by market. The initial launch of 1000 sets of financial mobile phones installed with "Stock e Expert" were all sold within a short period. In light of the good market response, the Group recently launched a newly developed financial mobile terminal. Its size is slightly greater than that of a mobile phone, and is a hand held device providing general functions of mobile phone, internet, GPS navigator, mobile TV, and financial services functions on provision of stock information and research, stock quotes and trading services, etc. Supported by our marketing strategy that about 90% of financial services of the financial mobile terminal are offered free to customers at present, this all-in-one hand held device with multiple functions has its retail price set at only around the retail price of a middle-end mobile phone. Under various co-operative business models established by the Group with telecommunications service providers



and securities firms in the PRC market, it is envisaged that this financial mobile terminal with multiple functions will be a competitive product that enjoy good potential growth in the PRC market.

Another recent development of the Group is the launching of bullion trading services by First China Bullion Limited (“FCBL”), a subsidiary of the Group and a member of the Chinese Gold & Silver Exchange Society. Utilising the Group’s own electronic trading platform together with the electronic trading platform offered by the Chinese Gold & Silver Exchange Society, the Group extended its services into the bullion market in the Greater China region, which is expected to have good potential development.

Building on the solid base of existing business together with the above further recent developments, the Group is positioned to deliver better results in the future.



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

As at 30 June 2009, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### (a) Long positions in shares of the Company

Name of Director	Number of shares			Approximate percentage of shareholding
	Personal Interests	Corporate Interests	Total	
Wang Wenming	345,958,000 (Note 1)	343,689,215 (Note 2)	689,647,215	23.35%
Lee Yiu Sun	100,019,000	—	100,019,000	3.39%
Tsang Hing Lun	2,010,000	—	2,010,000	0.07%
Yen Jong Ling	1,006,000	—	1,006,000	0.03%

Notes:

- (1) Mr. Wang Wenming held 226,042,000 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 345,958,000 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.



## (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 30 June 2009 were as follows:

Name	Date of grant	Number of share options				Outstanding as at 30 June 2009	Option period	Exercise price HK\$
		Outstanding as at 1 January 2009	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period			
Lee Yiu Sun	05/09/2007	4,000,000	—	—	—	4,000,000	05/09/2007– 04/09/2017	0.228

### (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 had exercised the option and was allotted 20,000,000 shares on 15 January 2009.

Accordingly, pursuant to the aforesaid Agreements, the remaining option to subscribe for the shares of the Company which has not yet been exercised is up to 40,000,000 shares of the Company.



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**

Name of Director	Number of shares		Approximate percentage of shareholding
	Personal Interests	Corporate Interests	
Lee Yiu Sun	50,000,000 (Note 3)	—	1.69%

Notes:

- (3) 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.



## 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 30 June 2009, 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	11.63%
Wang Wenming and Chen Dongjin (Note 2)	Beneficial owner	345,958,000 (Note 1)	11.71%
	Interest in a controlled corporation	343,689,215 (Note 2)	11.63%

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 226,042,000 shares of the Company. As such, they were deemed to be collectively interested in 345,958,000 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.





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

<b>Name of shareholders</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Approximate percentage of shareholding</b>
Wang Wenming and Chen Dongjin	Beneficial owners	40,000,000 (Note 3)	1.35%

Notes:

- (3) 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 (collectively the “Agreements”) by the Group. As Ms. Chen Dongjin is the spouse of Mr. Wang Wenming, they were 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 to subscribe for 20,000,000 shares (the “Option”) was granted to Mr. Wang Wenming who had exercised the option and was allotted 20,000,000 shares on 15 January 2009. Accordingly, pursuant to the aforesaid Agreements, the remaining option to subscribe for the shares of the Company which has not yet been exercised is up to 40,000,000 shares of the Company.

Save as disclosed above, as at 30 June 2009, the Company had not been notified of any other person (other than the Directors whose interests are set out in the section “Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures” above) who had an interest or short position in the shares or underlying shares of the Company and was required to be recorded in the register required to be kept under Section 336 of the SFO and/or was directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.



## Details of the Options Granted by the Company

### (a) Share Option Scheme of the Company

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

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

On 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 30 June 2009, details of the outstanding options were as follows:

Date of grant	Number of share options					Option period	Exercise price HK\$
	Outstanding as at 1 January 2009	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding as at 30 June 2009		
	05/09/2007	9,500,000	—	—	5,000,000		
05/09/2007	500,000	—	—	500,000	—	05/09/2008– 04/09/2017	0.228



**(b) 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 (the “Option”) 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 condition 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 had exercised the option and was allotted 20,000,000 shares on 15 January 2009. Accordingly, pursuant to the aforesaid Agreements, the remaining option to subscribe for the shares of the Company which has not yet been exercised is up to 40,000,000 shares of the Company.

**Purchase, Redemption or Sale of Listed Securities**

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

**Interest in Competitors**

An independent non-executive director of the Company, Mr. 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.



## **Audit Committee**

The Audit Committee has reviewed the financial statements of the Group for the six months period ended 30 June 2009 pursuant to the relevant provisions contained in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure has been made in respect thereof.

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

Hong Kong, 6 August 2009

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