



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

Third Quarterly Report 2008



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

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

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

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

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

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

Highlights

The Group recorded a revenue of approximately HK\$80,679,000 for the nine months ended 30th September 2008.

Profit attributable to the equity holders of the Company for the nine months ended 30th September 2008 amounted to approximately HK\$19,195,000.

Profit per share was approximately 0.75 Hong Kong cents.

The Directors do not recommend the payment of a dividend for the nine months ended 30th September 2008.

Third Quarterly Results (Unaudited)

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

Condensed Consolidated Income Statement

	Note	Three months ended 30th September,		Nine months ended 30th September,	
		2008	2007	2008	2007
		HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue	3	15,673	45,494	80,679	57,540
Cost of sales and services		(2,917)	(33,319)	(23,279)	(33,522)
Other income		255	347	1,386	922
Employee benefits expenses		(3,073)	(8,929)	(9,218)	(16,524)
Depreciation of property, plant and equipment		(596)	(174)	(1,705)	(756)
Amortization of intangible assets		(147)	(177)	(328)	(510)
Loss on disposal of property, plant and equipment		(7)	—	(7)	(427)
Other operating expenses		(6,666)	(11,827)	(21,484)	(24,102)
Profit/(loss) before income tax		2,522	(8,585)	26,044	(17,379)
Income tax expense	4	(1,323)	—	(6,862)	—
Profit/(loss) for the period		1,199	(8,585)	19,182	(17,379)
Attributable to:					
Equity holders of the Company		1,212	(8,578)	19,195	(17,366)
Minority interest		(13)	(7)	(13)	(13)
		1,199	(8,585)	19,182	(17,379)
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company					
— basic	5	0.05 cent	(0.36) cent	0.75 cent	(0.77) cent
— diluted	5	0.05 cent	(0.36) cent	0.74 cent	(0.77) cent

Condensed Consolidated Statements of Changes in Equity

For the nine months ended 30th September, 2008

	Attributable to the equity holders of the Company											
	Share capital	Share premium	Special reserve	Available	Translation reserve	Shares to be issued	Share options reserve	Share-based compensation reserve	Accumulated losses	Total	Minority interests	Total equity
				for-sale investments revaluation reserve								
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
Balance at 1st January, 2007 (as restated)	20,500	99,621	4,779	621	171	—	—	—	(91,261)	34,431	—	34,431
Change in fair value of available-for-sale financial assets	—	—	—	226	—	—	—	—	—	226	—	226
Currency translation differences	—	—	—	—	33	—	—	—	—	33	—	33
Total income and expense recognized directly in equity	—	—	—	226	33	—	—	—	—	259	—	259
Loss for the period	—	—	—	—	—	—	—	—	(17,366)	(17,366)	(13)	(17,379)
Total recognized income and expense for the period	—	—	—	226	33	—	—	—	(17,366)	(17,107)	(13)	(17,120)
Issue of shares by way of placements	3,560	27,908	—	—	—	—	—	—	—	31,468	—	31,468
Share issue costs	—	(677)	—	—	—	—	—	—	—	(677)	—	(677)
Employee share option benefit	—	—	—	—	—	—	—	7,011	—	7,011	—	7,011
Arising from acquisition of subsidiary	—	—	—	—	—	—	—	—	—	—	104	104
Balance at 30th September, 2007 (as restated)	24,060	126,852	4,779	847	204	—	—	7,011	(108,627)	55,126	91	55,217
Balance as at 1st January, 2008	25,384	187,589	4,779	871	932	504,000	14,461	4,241	(115,916)	626,341	86	626,427
Change in fair value of available-for-sale financial assets	—	—	—	(366)	—	—	—	—	—	(366)	—	(366)
Currency translation differences	—	—	—	—	1,223	—	—	—	—	1,223	—	1,223
Total income and expense recognized directly in equity	—	—	—	(366)	1,223	—	—	—	—	857	—	857
Profit for the period	—	—	—	—	—	—	—	—	19,195	19,195	(13)	19,182
Total recognized income and expense for the period	—	—	—	(366)	1,223	—	—	—	19,195	20,052	(13)	20,039
Issued of shares upon exercise of option granted under a subscription agreement	400	640	—	—	—	—	—	—	—	1,040	—	1,040
Issued of shares under the share option scheme	120	2,616	—	—	—	—	—	—	—	2,736	—	2,736
Transfer upon exercise of employee share option	—	2,121	—	—	—	—	—	(2,121)	—	—	—	—
Balance at 30th September, 2008	25,904	192,966	4,779	505	2,155	504,000	14,461	2,120	(96,721)	650,169	73	650,242

Notes:

1. General Information

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

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

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

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

2. Basis of Preparation

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

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

The preparation of unaudited condensed consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The accounting policies adopted in preparing the unaudited condensed consolidated financial statements were consistent with those applied for the financial statements of the Group for the year ended 31st December, 2007. The Group has adopted new/revised standards and interpretations of HKFRS which are effective for accounting periods commencing on or after 1st January 2008. The adoption of these standards does not have significant impact on the accounting policies of the Group.

3. Revenue

	Three months ended 30th September,		Nine months ended 30th September,	
	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Income from provision of trading platform	36	44	110	126
Commission income from securities and futures brokerage, and infrastructure broking service fee	391	1,852	2,231	5,900
Interest income from clients	195	85	428	264
Income from provision of corporate finance services	—	287	—	622
Trading and principal investment	2,876	33,041	23,150	33,247
Income from provision of wealth management services	2,346	10,185	10,655	17,294
Income from provision of stock information and research	9,829	—	44,105	87
	15,673	45,494	80,679	57,540

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

5. Earnings/(loss) Per Share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company for the period ended 30th September, 2008 of approximately HK\$19,195,000 (2007: loss of approximately HK\$17,366,000) by the weighted average number of 2,562,120,131 (2007: 2,251,748,286) ordinary shares in issue during the period.

Diluted

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company for the period ended 30th September, 2008 of approximately HK\$19,195,000 (2007: loss of approximately HK\$17,366,000) by the weighted average number of 2,602,434,000 (2007: 2,324,401,766) ordinary shares in issue during the period.

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

6. Share Capital and Premium

	Number of issued shares (in thousands)	Ordinary shares HK\$	Share premium HK\$	Total HK\$
As at 1st January, 2008	2,538,434	25,384,340	187,589,377	212,973,717
Issue of shares through:				
Exercise of options granted under a subscription agreement	40,000	400,000	640,000	1,040,000
Exercise of employee share options	12,000	120,000	2,616,000	2,736,000
Transfer upon exercise of employee share options	—	—	2,120,460	2,120,460
As at 30th September, 2008	2,590,434	25,904,340	192,965,837	218,870,177

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

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

7. Dividend

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

Business Review

The current global economic tsunami, including corporate failures, significant fall in stock market values, fluctuation in exchange rates, stringent credit availability in global lending markets and deterioration in economic confidence, has presented much greater challenges than any economic crisis and recessions seen in decades. Despite such adverse economic situations, the Group continued to achieve its profit for the quarter under review. The turnover for the three months and nine months ended 30th September 2008 amounted to approximately HK\$15.7 million and HK\$80.7 million respectively, of which more than 50% was attributable to First China Securities Consultancy (Shenzhen) Co. Ltd. ("FC Shenzhen"), the Group's wholly-owned subsidiary in Shenzhen, China. FC Shenzhen continued to be the main profit contributor to the Group generating the respective profits after tax of approximately HK\$6 million and HK\$31 million for the three months and nine months ended 30th September 2008.

Financial Review

The Group recorded an unaudited turnover of approximately HK\$80.7 million for the nine months ended 30th September 2008, which is approximately an increase of 40.3% compared to that of HK\$57.5 million for the corresponding period in 2007.

For the nine months ended 30th September, 2008, profit attributable to shareholders was approximately HK\$19.2 million, reflecting a significant improvement and the turnaround from the loss of approximately HK\$17.4 million from the same period last year. The basic earnings per share for the reporting period was 0.75 HK cent while the basic loss per share was 0.77 HK cent for the same period last year.

In the third quarter of 2008, following the exercise of 25,000,000 options pursuant to the subscription agreement dated 4th February 2005, the total number of ordinary shares of the Company had been increased to 2,590,434,000.

The Company has adopted a very prudent investment policy and has not been involved in any derivative trading or products.

Outlook

The recent economic turmoil has affected the global economy as a whole. It is inevitable that the Group will have to face the challenges of the global economy downturn and deterioration in market confidence. Nevertheless, we believe that by continuing to improve its comprehensive financial service platform and providing more enhanced services to its clients, the Group, as a renowned financial service provider in the Greater China region, not only will navigate such challenges, but also will emerge stronger and provide better returns to its shareholders.

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

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

(a) Long positions in shares of the Company

Name of Director	Number of shares			Approximate percentage of shareholding
	Personal Interests	Corporate Interests	Total	
Richard Yingneng Yin	56,000,000	324,006,000 (Note 1)	380,006,000	14.67%
Wang Wenming	325,958,000 (Note 2)	—	325,958,000	12.58%
Lee Yiu Sun	100,019,000	—	100,019,000	3.90%
Japhet Sebastian Law	1,520,000	—	1,520,000	0.06%

Notes:

- (1) Mr. Richard Yingneng Yin was deemed to be interested in 324,006,000 shares through his controlling interest in Asia Network Holdings Limited. For more information of the shareholding of Asia Network Holdings Limited in the Company, please refer to Note (3) and Note (4) below.
- (2) Mr. Wang Wenming held 206,042,000 shares of the Company. Ms. Chen Dongjin, the spouse of Mr. Wang Wenming, held 119,916,000 shares of the Company. As such, Mr. Wang Wenming was deemed to be interested in 325,958,000 shares of the Company.

(b) Long positions in underlying shares of the Company

(i) Share option scheme of the Company

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

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

(ii) Subscription agreement involving granting of share options

Pursuant to a conditional subscription agreement dated 4th February, 2005, the Company, amongst others, granted on an one-off basis an aggregate of 350,000,000 new share options of which 250,000,000 were granted to Asia Network Holdings Limited (a corporation controlled by Mr. Richard Yingneng Yin) and Mr. Richard Yingneng Yin. As all the 250,000,000 share options granted to Asia Network Holdings Limited and Mr. Richard Yingneng Yin had been exercised, there was no outstanding amount as at 30th September, 2008 and details of which are as follows:

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

(iii) Option Deeds

Name of Director	Number of shares Corporate Interest	Approximate percentage of shareholding
Richard Yingneng Yin	50,000,000 (note 3 and note 4)	1.93%

Notes:

- (3) On 31st August, 2005, Limin Corporation Limited (“Limin”) entered into an option deed with Asia Network Holdings Limited whereby Limin granted Asia Network Holdings Limited an option to purchase from Limin all or part of 200,000,000 shares of the Company (“Limin Shares”) at such time and at such price when Limin intends to transfer or dispose of all or part of the Limin Shares to any person during the period commencing from 31st August, 2005 till the date when Limin ceases to be interested in the Limin Shares (“Option Deed 1”). Limin sold to third parties 100,000,000 Limin shares on 14th November, 2007 and the remaining 100,000,000 Limin shares on 3rd September, 2008 upon Asia Network Holdings Limited not exercising its option to purchase such shares. As such, there was no outstanding option under Option Deed 1 as at 30th September, 2008.

- (4) On 31st August, 2005, Lee Yiu Sun (“Lee”) entered into an option deed with Asia Network Holdings Limited whereby Lee granted Asia Network Holdings Limited an option to purchase from Lee all or part of 50,000,000 shares of the Company (“Lee Shares”) at such time and at such price when Lee intends to transfer or dispose of all or part of the Lee Shares to any person during the period commencing from 31st August, 2005 till the date when Lee ceases to be interested in the Lee Shares (“Option Deed 2”). As at 30th September, 2008, the option under Option Deed 2 was still outstanding.

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

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

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

(c) Short positions in underlying shares of the Company

Name of Director	Number of shares Personal Interest	Approximate percentage of shareholding
Lee Yiu Sun	50,000,000 (note 4)	1.93%

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

Substantial Shareholders

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

(a) Long positions in shares of the Company

Name of shareholders	Number of direct/ indirect holding of shares	Approximate percentage of direct/indirect holding of shares
Asia Network Holdings Limited (note 1)	324,006,000	12.51%
First Vanguard Group Limited (note 1)	324,006,000	12.51%
WANG Wenming and CHEN Dongjin (note 2)	325,958,000	12.58%

Notes:

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

(b) Long positions in underlying shares of the Company

Name of shareholders	Capacity	Number of shares	Approximate percentage of shareholding
First Vanguard Group Limited	Interest in a controlled corporation	50,000,000 (note 3)	1.93%
Asia Network Holdings Limited	Beneficial owner	50,000,000 (note 3)	1.93%
Wang Wenming and Chen Dongjin	Beneficial owners	60,000,000 (note 4)	2.32%

Notes:

- (3) On 31st August, 2005, Limin Corporation Limited ("Limin") entered into an option deed with Asia Network Holdings Limited whereby Limin granted Asia Network Holdings Limited an option to purchase from Limin all or part of 200,000,000 shares of the Company ("Limin Shares") at such time and at such price when Limin intends to transfer or dispose of all or part of the Limin Shares to any person during the period commencing from 31st August, 2005 till the date when Limin ceases to be interested in the Limin Shares ("Option Deed 1"). Limin sold to third parties 100,000,000 Limin shares on 14th November, 2007 and the remaining 100,000,000 Limin shares on 3rd September, 2008 upon Asia Network Holdings Limited not exercising its option to purchase such shares. As such, there was no outstanding option under Option Deed 1 as at 30th September, 2008.

On 31st August, 2005, Lee Yiu Sun ("Lee") entered into an option deed with Asia Network Holdings Limited whereby Lee granted Asia Network Holdings Limited an option to purchase from Lee all or part of 50,000,000 shares of the Company ("Lee Shares") at such time and at such price when Lee intends to transfer or dispose of all or part of the Lee Shares to any person during the period commencing from 31st August, 2005 till the date when Lee ceases to be interested in the Lee Shares ("Option Deed 2"). As at 30th September, 2008, the option under Option Deed 2 was still outstanding.

Since First Vanguard Group Limited holds 100% interests in Asia Network Holdings Limited, it is deemed to be interested in the Lee Shares.

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

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

Details of the Options Granted by the Company

(a) Share Option Scheme of the Company

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

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

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

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

(b) Subscription agreement involving granting of share options

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

Date of grant	Outstanding as at 1st January, 2008	Exercised during the period	Number of share options outstanding as at 30th September, 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 11th July, 2007 and the Supplemental Agreement dated 30th July, 2007 relating to the acquisition of the entire shareholding of GoHi Holdings Limited (collectively the "Agreements"), the Company granted to Mr. Wang Wenming an option to subscribe for 20,000,000 shares of the Company at an exercise price of HK\$0.15 per share in each of the 12-month period ending 30th June 2008, 2009 and 2010 respectively (i.e. a maximum of 60,000,000 shares) subject to the fulfillment of certain conditions as stipulated in the Agreements. At as 30th September, 2008, no share had been issued under the said option.

Purchase, Redemption or Sale of Listed Securities

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

Interest in Competitors

An independent non-executive director of the Company, Mr. 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 nine months ended 30th September, 2008 pursuant to the relevant provisions contained in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure has been made in respect thereof.

By Order of the Board

First China Financial Holdings Limited

LEE YIU SUN

Executive Director

Hong Kong, 13th November, 2008

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