首華財經網絡集團有限公司

# FIRST CHINA FINANCIAL NETWORK HOLDINGS LIMITED

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 08123)**

## INTERIM RESULTS ANNOUNCEMENT 2012

### 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 of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), the Securities and Futures Commission (the "SFC") regulates First China Financial Network Holdings Limited (the "Company") in relation to the listing of its shares on GEM of the Stock Exchange. The SFC, The Hong Kong Exchanges and Clearing Limited, and the Stock Exchange take no responsibility for the contents of this announcement, 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 announcement.*

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

**HIGHLIGHTS**

The Group recorded a turnover of approximately HK$4,979,000 for the six months ended 30 June 2012.

Loss for the six months ended 30 June 2012 was approximately HK$15,811,000.

Loss attributable to owners of the Company for the six months ended 30 June 2012 amounted to approximately HK$15,200,000.

Both basic and diluted loss per share were 0.38 HK cents.

The Directors do not recommend the payment of a dividend for the six months ended 30 June 2012.

## INTERIM RESULTS (UNAUDITED)

The board of Directors of the Company (the "Board") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the period ended 30 June 2012 together with the comparative unaudited figures for the corresponding period in 2011.

### Condensed Consolidated Statement of Comprehensive Income

| | | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | | **2012** | 2011 | **2012** | 2011 |
| | *Note* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| Revenue | *3* | **2,243** | 4,857 | **4,979** | 9,861 |
| Cost of sales | | **(220)** | — | **(266)** | — |
| Gross profits | | **2,023** | 4,857 | **4,713** | 9,861 |
| Other income | | **76** | 1,270 | **203** | 4,516 |
| Employee benefits expenses | | **(3,360)** | (4,807) | **(6,853)** | (8,972) |
| Depreciation of property, plant and equipment | | **(1,184)** | (1,727) | **(2,384)** | (3,317) |
| Amortization of intangible assets | | **(8)** | — | **(17)** | — |
| Finance costs | | **(245)** | (249) | **(491)** | (411) |
| Other operating expenses | | **(4,669)** | (7,824) | **(10,769)** | (16,102) |
| Share of losses of associates | | **(89)** | (7) | **(213)** | (16) |
| Loss before income tax | | **(7,456)** | (8,487) | **(15,811)** | (14,441) |
| Income tax expense | *5* | **—** | (8) | **—** | (319) |
| Loss for the period | | **(7,456)** | (8,495) | **(15,811)** | (14,760) |
| **Other comprehensive income** | | | | | |
| Currency translation differences | | **(541)** | 1,703 | **(523)** | 1,881 |
| Other comprehensive income for the period, net of tax | | **(541)** | 1,703 | **(523)** | 1,881 |
| Total comprehensive loss for the period | | **(7,997)** | (6,792) | **(16,334)** | (12,879) |

| | Note | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | | **2012** | 2011 | **2012** | 2011 |
| | | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| **Loss for the period attributable to:** | | | | | |
| Owners of the Company | | **(7,322)** | (8,089) | **(15,200)** | (13,968) |
| Non-controlling interests | | **(134)** | (406) | **(611)** | (792) |
| | | **(7,456)** | (8,495) | **(15,811)** | (14,760) |
| **Total comprehensive loss attributable to:** | | | | | |
| Owners of the Company | | **(7,903)** | (6,309) | **(15,762)** | (12,066) |
| Non-controlling interests | | **(94)** | (483) | **(572)** | (813) |
| | | **(7,997)** | (6,792) | **(16,334)** | (12,879) |
| **Loss per share for loss attributable to owners of the Company during the period** | | | | | |
| — basic *(HK cents)* | *6* | **(0.18)** | (0.21) | **(0.38)** | (0.36) |
| — diluted *(HK cents)* | *6* | **(0.18)** | (0.21) | **(0.38)** | (0.36) |

**Condensed Consolidated Statement of Financial Position**

| | *Note* | **At 30 June 2012** **HK$'000** **(unaudited)** | At 31 December 2011 HK$'000 (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **46,241** | 48,638 |
| Investment property | | **42,100** | 42,100 |
| Intangible assets | | **567** | 85 |
| Statutory deposits and other assets | | **2,030** | 575 |
| Investments in associates | | **805** | 1,676 |
| | | **91,743** | 93,074 |
| **Current assets** | | | |
| Inventories | | **139** | 141 |
| Held-for-trading investments | | **2,279** | 2,110 |
| Current income tax recoverable | | **2,271** | 2,295 |
| Trade receivables | *7* | **9,128** | 4,515 |
| Prepayment, deposits and other receivables | | **31,464** | 30,849 |
| Amounts due from associates | | **13,215** | 15,966 |
| Bank balances and cash | | **25,355** | 46,302 |
| | | **83,851** | 102,178 |
| **Total assets** | | **175,594** | 195,252 |
| **Current liabilities** | | | |
| Trade payables | *8* | **7,988** | 9,088 |
| Other payables and accruals | | **11,449** | 12,088 |
| Borrowings | *9* | **34,667** | 36,252 |
| | | **54,104** | 57,428 |
| **Net current assets** | | **29,747** | 44,750 |
| **Total assets less current liabilities** | | **121,490** | 137,824 |

| | Note | At 30 June 2012 HK$'000 (unaudited) | At 31 December 2011 HK$'000 (audited) |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deferred income tax liabilities | | **4,380** | 4,380 |
| | | **4,380** | 4,380 |
| **Net assets** | | **117,110** | 133,444 |
| **Capital and reserves** | | | |
| Share capital | *10* | **40,290** | 40,290 |
| Share premium | *10* | **1,028,819** | 1,028,819 |
| Special reserve | | **4,779** | 4,779 |
| Translation reserve | | **9,009** | 9,571 |
| Warrants reserve | | **223** | 223 |
| Share-based compensation reserve | | **23,255** | 23,255 |
| Accumulated losses | | **(985,135)** | (969,935) |
| **Equity attributable to owners of the Company** | | **121,240** | 137,002 |
| **Non-controlling interests** | | **(4,130)** | (3,558) |
| **Total equity** | | **117,110** | 133,444 |

## Condensed Consolidated Statements of Changes in Equity

*For the six months ended 30 June 2012*

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital *HK$'000* | Share premium *HK$'000* | Special reserve *HK$'000* | Translation reserve *HK$'000* | Shares to be issued *HK$'000* | Share options reserve *HK$'000* | Share-based compen-sation reserve *HK$'000* | Accu-mulated losses *HK$'000* | Total *HK$'000* | Non-controlling interests *HK$'000* | Total equity *HK$'000* |
| Balance as at 1 January 2011 | 38,290 | 862,819 | 4,779 | 8,837 | 168,000 | 14,460 | 24,178 | (952,016) | 169,347 | 2,890 | 172,237 |
| Total comprehensive loss for the period | — | — | — | 1,860 | — | — | — | (13,968) | (12,108) | (792) | (12,900) |
| Capital contributions from non-controlling interests | — | — | — | — | — | — | — | — | — | 249 | 249 |
| Issue of Consideration Shares | 2,000 | 166,000 | — | — | (168,000) | — | — | — | — | — | — |
| Option in respect of acquisition of subsidiaries lapsed | — | — | — | — | — | (14,460) | — | 14,460 | — | — | — |
| Share option scheme — vested share options lapsed | — | — | — | — | — | — | (836) | 836 | — | — | — |
| Balance as at 30 June 2011 | 40,290 | 1,028,819 | 4,779 | 10,697 | — | — | 23,342 | (950,688) | 157,239 | 2,347 | 159,586 |

| | **Attributable to owners of the Company** | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** ***HK$'000*** | **Share premium** ***HK$'000*** | **Special reserve** ***HK$'000*** | **Translation reserve** ***HK$'000*** | **Warrants reserve** ***HK$'000*** | **Share-based compen-sation reserve** ***HK$'000*** | **Accu-mulated losses** ***HK$'000*** | **Total** ***HK$'000*** | **Non-controlling interests** ***HK$'000*** | **Total equity** ***HK$'000*** |
| Balance as at 1 January 2012 | **40,290** | **1,028,819** | **4,779** | **9,571** | **223** | **23,255** | **(969,935)** | **137,002** | **(3,558)** | **133,444** |
| Total comprehensive loss for the period | **—** | **—** | **—** | **(562)** | **—** | **—** | **(15,200)** | **(15,762)** | **(572)** | **(16,334)** |
| Balance as at 30 June 2012 | **40,290** | **1,028,819** | **4,779** | **9,009** | **223** | **23,255** | **(985,135)** | **121,240** | **(4,130)** | **117,110** |

**Condensed Consolidated Statement of Cash Flows**

| | For the six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Net cash used in operating activities | **(20,087)** | (26,571) |
| Net cash generated from/(used in) investing activities | **34** | (81,886) |
| Net cash (used in)/generated from financing activities | **(1,584)** | 43,191 |
| Net decrease in cash and cash equivalents | **(21,637)** | (65,266) |
| Cash and cash equivalents at beginning of period | **39,650** | 104,961 |
| Cash and cash equivalents at end of period | **18,013** | 39,695 |
| Analysis of the balance of cash and cash equivalents | | |
| Cash at bank and in hand | **25,355** | 47,980 |
| Segregated trust bank balances | **(7,342)** | (8,285) |
| | **18,013** | 39,695 |

*Notes:*

## 1. GENERAL INFORMATION

First China Financial Network Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the provision of stock information and research analysis services and trading and principal investments in the People's Republic of China (the "PRC"), provision of securities and futures trading services, corporate finance consultancy services, trading and principal investments and wealth management services in Hong Kong.

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").

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (HK$), while the functional currencies of certain subsidiaries are presented in Renminbi ("RMB"). The Company has selected Hong Kong dollar as its presentation currency because the management considered it is more beneficial to the user of the unaudited condensed consolidated financial statements. These unaudited condensed consolidated financial statements were approved and authorized for issue by the board of directors on 10 August 2012.

## 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. They have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

In addition, the unaudited condensed consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

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 2011.

## 3. REVENUE

| | **Three months ended 30 June** | | **Six months ended 30 June** | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| Income from provision of stock information and research services | **1,397** | 3,349 | **2,233** | 4,067 |
| Income from provision of a trading platform | **40** | 41 | **78** | 81 |
| Commission income from securities and futures brokerage | **611** | 1,421 | **1,617** | 4,592 |
| Interest income from clients | **111** | 344 | **259** | 527 |
| Net fair value (losses)/gains on securities trading | **(212)** | (411) | **157** | 399 |
| Rental income from investment property | **269** | — | **538** | — |
| Income from provision of wealth management services | **27** | 113 | **97** | 195 |
| | **2,243** | 4,857 | **4,979** | 9,861 |

## 4. SEGMENT INFORMATION

The Executive Directors consider the Group has seven reportable segments:

(1) provision of stock information and research services;

(2) provision of a trading platform;

(3) provision of brokerage and securities margin financing services;

(4) provision of corporate finance services;

(5) trading and principal investments;

(6) property investments; and

(7) provision of wealth management services.

The segment information of the reportable segments for the six months ended 30 June 2011 is as follows:

| | Stock information and research services *HK$'000* (unaudited) | Provision of a trading platform *HK$'000* (unaudited) | Brokerage and securities margin financing services *HK$'000* (unaudited) | Corporate finance services *HK$'000* (unaudited) | Trading and principal investments *HK$'000* (unaudited) | Wealth management services *HK$'000* (unaudited) | Total *HK$'000* (unaudited) |
|---|---|---|---|---|---|---|---|
| Segment revenue from external customers | 4,067 | 81 | 5,119 | — | 399 | 195 | 9,861 |
| Segment results | (7,406) | 6 | (1,560) | — | 194 | (772) | (9,538) |
| Net unallocated expenses | | | | | | | (4,903) |
| Loss before income tax | | | | | | | (14,441) |
| Income tax expense | | | | | | | (319) |
| Loss for the period | | | | | | | (14,760) |

The segment information of the reportable segments for the six months ended 30 June 2012 is as follows:

| | **Stock information and research services** ***HK$'000*** **(unaudited)** | **Provision of a trading platform** ***HK$'000*** **(unaudited)** | **Brokerage and securities margin financing services** ***HK$'000*** **(unaudited)** | **Corporate finance services** ***HK$'000*** **(unaudited)** | **Trading and principal investments** ***HK$'000*** **(unaudited)** | **Property investments** ***HK$'000*** **(unaudited)** | **Wealth management services** ***HK$'000*** **(unaudited)** | **Total** ***HK$'000*** **(unaudited)** |
|---|---|---|---|---|---|---|---|---|
| Segment revenue from external customers | **2,233** | **78** | **1,876** | **—** | **157** | **538** | **97** | **4,979** |
| Segment results | **(5,667)** | **6** | **(2,114)** | **—** | **(32)** | **305** | **39** | **(7,463)** |
| Net unallocated expenses | | | | | | | | **(8,348)** |
| Loss before income tax | | | | | | | | **(15,811)** |
| Income tax expense | | | | | | | | **—** |
| Loss for the period | | | | | | | | **(15,811)** |

The Group mainly operates in Hong Kong and the PRC.

| | For the six months ended | |
|---|---|---|
| | **30 June** | 30 June |
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| **Revenue** | | |
| Hong Kong | **2,589** | 5,325 |
| The PRC | **2,390** | 4,536 |
| | **4,979** | 9,861 |

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

## 5. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at the rate of 16.5% (2011: 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 (2011: 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.

## 6. LOSS PER SHARE

**Basic**

Basic loss per share is calculated by dividing the loss attributable to owners of the Company for the period ended 30 June 2012 of approximately HK$15,200,000 (2011: loss of approximately HK$13,968,000) by the weighted average number of 4,028,964,120 (2011: 3,880,897,822) ordinary shares in issue during the period.

**Diluted**

The computation of diluted loss per share for the periods ended 30 June 2011 and 2012 did not assume the exercise of the Company's share options outstanding during the periods ended 30 June 2011 and 2012 since their exercise would result in a decrease in loss per share.

## 7. TRADE RECEIVABLES

| | **At** | At |
|---|---|---|
| | **30 June** | 31 December |
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| Amounts receivable arising from securities broking: | | |
| Margin clients | **3,003** | 1,488 |
| Cash clients | **3,778** | 2,909 |
| HKSCC (net) | **2,270** | — |
| Other trade receivables | **77** | 118 |
| | **9,128** | 4,515 |

Amounts receivable from margin clients are repayable on demand, bear interest at prevailing market rates and are secured by clients' pledged securities which are listed on the Stock Exchange with a total market value of approximately HK$11,111,000 as at 30 June 2012 (31 December 2011: approximately HK$1,297,000). 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.

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 services are with credit term of 30 to 90 days.

The following is an aged analysis of other trade receivables at the end of reporting period:

| | At 30 June 2012 | At 31 December 2011 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | (unaudited) | (audited) |
| 0–30 days | **77** | 118 |

The maximum exposure to credit risk at the end of reporting period 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.

## 8. TRADE PAYABLES

| | At 30 June 2012 | At 31 December 2011 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | (unaudited) | (audited) |
| Amounts payable arising from securities broking: | | |
| Margin clients | **—** | 762 |
| Cash clients | **7,981** | 6,683 |
| HKSCC (net) | **—** | 1,562 |
| Other trade payables | **7** | 81 |
| | **7,988** | 9,088 |

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 trade payables arising from the business of dealing in securities are two days after trade date or on demand where held at segregated trust bank balance. No aged analysis is disclosed as the aged analysis does not give additional value in view of the nature of business.

Except for the amounts payable to margin clients as mentioned above, these balances are aged within 30 days.

The following is an aged analysis of other trade payables at the end of reporting period:

| | At 30 June 2012 *HK$'000* (unaudited) | At 31 December 2011 *HK$'000* (audited) |
|---|---|---|
| 0–30 days | **7** | 1 |
| 31–90 days | **—** | — |
| 91–180 days | **—** | — |
| 181–365 days | **—** | — |
| Over 365 days | **—** | 80 |
| | **7** | 81 |

## 9. BORROWINGS

| | At 30 June 2012 *HK$'000* (unaudited) | At 31 December 2011 *HK$'000* (audited) |
|---|---|---|
| Current portion of long-term bank borrowings — Secured | **34,667** | 36,252 |

## 10. SHARE CAPITAL AND PREMIUM

| | Number of issued shares *(in thousands)* | Ordinary shares *HK$'000* | Share premium *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| As at 1 January 2012 and 30 June 2012 | 4,028,964 | 40,290 | 1,028,819 | 1,069,109 |

The total authorized number of ordinary share is 10,000,000,000 shares (2011: 10,000,000,000 shares) with a par value of HK$0.01 per share (2011: 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 2012 (2011: Nil).

## BUSINESS REVIEW

Under fluctuating economic environment worldwide, the stock market was volatile. The Group incurred a loss during the first half year of 2012 under reviewed. The turnover for the six months ended 30 June 2012 amounted to approximately HK$4.98 million. The revenue of the Group mainly came from stock information and research services, commission income from securities brokerage, interest income from clients and rental income from an investment property.

In 2012 Annual General Meeting held on 21 June 2012, an adoption of a New Share Option Scheme in compliance with Chapter 23 of GEM Listing Rule was approved by the shareholders. The New Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date.

## FINANCIAL REVIEW

The Group recorded an unaudited revenue of approximately HK$4.98 million for the six months ended 30 June 2012 compared with that of approximately HK$9.86 million for the corresponding period in 2011. The decrease is mainly attributable to the reduction of income from provision of stock information and research services from Shenzhen operation. This segment dropped by 45% from the same period last year to approximately HK$2.23 million for the months ended 30 June 2012. Due to the PRC government tightened regulatory control, the segment has slowed down since 2010. Turnover of commission income from securities and futures brokerage dropped by 64% from approximately HK$4.59 million in the same period last year to approximately HK$1.62 million for the period under review. Decline in revenue of broking segment due to weak retail equity market sentiment.

Segment loss from stock information and research services narrows to approximately HK$5.67 million for the period under review, compared with approximately HK$7.41 million in the corresponding period of last year. Segment loss from brokerage and securities margin financing services increased to a loss of approximately HK$2.11 million in the current period under review, compared with a loss of approximately HK$1.56 million from the corresponding period last year.

For the six months ended 30 June 2012, loss attributable to owners of the Company was approximately HK$15.20 million, compared with approximately HK$13.97 million for the corresponding period last year. In summary, the loss per share for the reporting period was approximately 0.38 HK cents while the loss per share was approximately 0.36 HK cents for the same period last year.

The equity attributable to owners of the Company amounted to approximately HK$121.24 million as at 30 June 2012, representing a decrease of approximately HK$15.76 million, or 11.5% from that of 31 December 2011. The decrease was mainly attributed to the loss for the period under review to owners of the Company.

The Group's net current assets as at 30 June 2012 amounted to approximately HK$29.75 million and the liquidity of the Group, as demonstrated by the current ratio (current assets/current liabilities) was 1.5 times. The Group's bank balances and cash approximately HK$25.36 million as at 30 June 2012, and the total borrowings amounted to approximately HK$34.67 million which was secured by charges over certain of the Group's properties.

## OUTLOOK

We will continue focusing on our core businesses in stock information and research services, stock brokerage business, margin financing and wealth management services.

As mentioned in our quarterly reports and annual report of 2011, the Group is still focusing on Mainland China market as of our strategy. Although the uncertainty of the worldwide economic environment, the Group still have confidence on Mainland China market. The Group will seek potential business opportunities which may arise any time, such as the e-safety business which we have mentioned in the first quarterly report of 2012. The Group is looking at varies projects which would be potentially good for the contribution to the Group. With both our connection in China and best relationship with our clients, we have confidence that the Group will deliver better future.

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

As at 30 June 2012, 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<br>Personal Interests | Corporate Interests | Total | Approximate percentage of shareholding |
|---|---|---|---|---|
| Wang Wenming *(Note 1)* | 595,328,957 | — | 595,328,957 | 14.78% |
| Lee Yiu Sun | 110,060,000 | — | 110,060,000 | 2.73% |
| Liu Runtong | 2,646,000 | — | 2,646,000 | 0.07% |

*Note:*

(1) Mr. Wang Wenming held 450,212,307 shares of the Company. Ms. Chen Dongjin, the spouse of Mr. Wang Wenming, held 145,116,650 shares of the Company. As such, Mr. Wang Wenming was deemed to be interested in 595,328,957 shares of the Company

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

*Share option scheme of the Company*

Since the share option scheme adopted by the Company on 17 December 2001 (the "Old Share Option Scheme") has expired on 16 December 2011. The Company adopted a new share option scheme on its AGM held on 21 June 2012 (the "New Share Option Scheme") which complies with Chapter 23 of GEM Listing Rules.

The following table discloses the details of the share options held by the Directors and chief executive to subscribe for shares of the Company during the period ended 30 June 2012:

| | | Number of share options | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Name of Director** | **Date of grant** | **Outstanding as at 1 January 2012** | **Granted during the period** | **Exercised during the period** | **Cancelled/ lapsed during the period** | **Outstanding as at 30 June 2012** | **Option period** | **Exercise price** *(HK$)* |
| Wang Wenming | 13/04/2010 | 11,682,577 | — | — | — | 11,682,577 | 13/04/2010–12/04/2020 | 0.419 |
| Lee Yiu Sun | 13/04/2010 | 31,861,575 | — | — | — | 31,861,575 | 13/04/2010–12/04/2020 | 0.419 |
| Lee Yiu Sun | 05/09/2007 | 4,248,210 | — | — | — | 4,248,210 | 05/09/2007–04/09/2017 | 0.215 |
| Liu Runtong | 13/04/2010 | 31,861,575 | — | — | — | 31,861,575 | 13/04/2010–12/04/2020 | 0.419 |
| Zhang Benzheng | 13/04/2010 | 2,124,105 | — | — | — | 2,124,105 | 13/04/2010–12/04/2020 | 0.419 |

### (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 *(Note 2)* | 50,000,000 | — | 1.24% |

*Note:*

(2) 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 Company at such time and such price when Mr. Lee intends to transfer or 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 period under review, 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 into 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 2012, the following persons (not being a Director or chief executive of the Company) had interests in the shares or underlying shares which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO:

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

| Name of shareholders | Capacity | Number of shares | Approximate percentage of shareholding |
|---|---|---|---|
| Wang Wenming and Chen Dongjin *(Note 1)* | Beneficial owners | 595,328,957 | 14.78% |
| Wang Jia Wei *(Note 2)* | Beneficial owners | 202,043,628 | 5.01% |

*Note:*

(1) Ms. Chen Dongjin held 145,116,650 shares of the Company. Ms. Chen Dongjin is the spouse of a director of the Company, Mr. Wang Wenming, who held 450,212,307 shares of the Company. As such, they were deemed to be collectively interested in 595,328,957 shares of the Company.

(2) Mr. Wang Jia Wei is the son of Mr. Wang Wenming.

### (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 *(Note 3)* | Beneficial owners | 11,682,577 | 0.29% |

*Note:*

(3) Pursuant to the Share Option Scheme, Mr. Wang Wenming was granted on 13 April 2010 share options, the number of shares underlying which was adjusted on 15 June 2010, to subscribe for 11,682,577 shares of the Company. Ms. Chen Dongjin is the spouse of Mr. Wang Wenming so they were deemed to be collectively interested in the share options to subscribe for 11,682,577 shares of the Company.

Save as disclosed above, as at 30 June 2012, 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

### Share Option Scheme of the Company

The Company operates the Share Option Scheme under which the persons working for the interest of the Group are entitled to an opportunity to obtain equity interest in the Company. Since the share option scheme adopted by the Company on 17 December 2001 (the "Old Share Option Scheme") has expired on 16 December 2011. The Company adopted a new share option scheme on its AGM held on 21 June 2012 (the "New Share Option Scheme") which complies with Chapter 23 of GEM Listing Rules.

The outstanding options granted under the Old Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects. The provisions of the Old Share Option Scheme shall remain in full force and effect notwithstanding the expiry of the Old Share Option Scheme.

The New Share Option Scheme will remain valid for a period of 10 years commencing on 21 June 2012 and in such event, no further options will be offered but the provisions of the New Share Option Scheme shall in all other respects remain in full force and effect. The number of shares fall to be issued upon the exercise of all Options to be granted must not exceed 10% of the total issued share capital of the Company as at 21 June 2012, which is 402,896,412 shares.

The number of shares in respect of which options may be granted under the New Share Option Scheme and any other share option schemes are 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.

On 5 September 2007 and 13 April 2010, options to subscribe for 32,400,000 and 84,000,000 shares of the Company respectively were granted to the Directors and certain employees of the Company. As at 30 June 2012, details of the outstanding options were as follows:

| | Number of share options | | | | | | |
|---|---|---|---|---|---|---|---|
| Date of grant | Outstanding as at 1 January 2012 | Granted during the period | Exercised during the period | Cancelled/ lapsed during the period | Outstanding as at 30 June 2012 | Option period | Exercise price *(HK$)* |
| 13/04/2010 | 86,026,253 | — | — | — | 86,026,253 | 13/04/2010–12/04/2020 | 0.419 |
| 05/09/2007 | 4,779,236 | — | — | — | 4,779,236 | 05/09/2007–04/09/2017 | 0.215 |

## 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.

## 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 2012 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 Network Holdings Limited**
**Lee Yiu Sun**
*Chief Executive Officer*

Hong Kong, 10 August 2012

*As of the date of this announcement, the executive Directors are Mr. Wang Wenming and Mr. Lee Yiu Sun, the non-executive Director is Mr. Liu Runtong and the independent non-executive Directors are Professor Zhang Benzheng, Mr. Tony I Tong, Mr. Li Jianxing and Mr. Chen Shu Wen.*

*This announcement will remain on the "Latest Company Announcements" page of the website of the GEM of the Stock Exchange at www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at www.firstchina.hk.*