



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
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

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 (the “GEM Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), 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 or deceptive; (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 from continuing operations of approximately HK\$16,792,000 for the six months ended 30 June 2014.

Loss for the six months ended 30 June 2014 was approximately HK\$15,066,000.

Loss attributable to owners of the Company for the six months ended 30 June 2014 amounted to approximately HK\$15,073,000.

Both basic and diluted loss per share were 0.34 HK cents.

The Directors do not recommend the payment of a dividend for the six months ended 30 June 2014.

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 2014 together with the comparative unaudited figures for the corresponding period in 2013.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Three months ended 30 June		Six months ended 30 June	
		2014	2013	2014	2013
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Continuing operations					
Revenue	3	5,288	506	16,792	1,407
Cost of sales		(32)	—	(32)	—
Gross profit		5,256	506	16,760	1,407
Other income		184	43	230	113
Employee benefits expenses		(6,350)	(3,077)	(13,090)	(6,722)
Depreciation of property, plant and equipment		(1,037)	(978)	(2,094)	(2,055)
Amortization of intangible assets		—	(630)	—	(1,251)
Finance costs		(105)	(116)	(207)	(233)
Other operating expenses		(5,479)	(2,732)	(14,709)	(5,773)
Share of losses of associates		(1,684)	—	(1,947)	—
Loss before income tax		(9,215)	(6,984)	(15,057)	(14,514)
Income tax expense	5	(9)	—	(9)	—
Loss for the period from continuing operations		(9,224)	(6,984)	(15,066)	(14,514)
Discontinued operation	6				
Profit for the period from discontinued operation		—	9,057	—	9,328
(Loss)/profit for the period		(9,224)	2,073	(15,066)	(5,186)

<i>Note</i>	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(Restated) (unaudited)	(unaudited)	(Restated) (unaudited)
Other comprehensive (expense)/ income:				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Currency translation differences	(57)	373	(1,046)	604
Other comprehensive (expense)/ income for the period, net of tax	(57)	373	(1,046)	604
Total comprehensive (expense)/ income for the period	(9,281)	2,446	(16,112)	(4,582)
(Loss)/profit attributable to:				
Owners of the Company	(8,518)	2,073	(15,073)	(5,186)
Non-controlling interests	(706)	—	7	—
	(9,224)	2,073	(15,066)	(5,186)
(Loss)/profit attributable to owners of the Company arises from:				
Continuing operations	(8,518)	(6,984)	(15,073)	(14,514)
Discontinued operation	—	9,057	—	9,328
	(8,518)	2,073	(15,073)	(5,186)
Total comprehensive (expense)/ income for the period attributable to:				
Owners of the Company	(8,585)	2,446	(16,119)	(4,582)
Non-controlling interests	(696)	—	7	—
	(9,281)	2,446	(16,112)	(4,582)
Total comprehensive (expense)/ income attributable to owners of the Company arises from:				
Continuing operations	(8,585)	(6,611)	(16,119)	(13,910)
Discontinued operation	—	9,057	—	9,328
	(8,585)	2,446	(16,119)	(4,582)

		Three months ended		Six months ended	
		30 June		30 June	
		2014	2013	2014	2013
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)	(Restated)	(Restated)	(Restated)
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
(Loss)/earnings per share from continuing and discontinued operations attributable to owners of the Company for the period:					
Basic (loss)/earnings per share					
<i>(HK cents)</i>					
From continuing operations	7	(0.21)	(0.17)	(0.34)	(0.36)
From discontinued operation	7	<u>—</u>	<u>0.22</u>	<u>—</u>	<u>0.23</u>
From loss for the period		<u>(0.21)</u>	<u>0.05</u>	<u>(0.34)</u>	<u>(0.13)</u>
Diluted (loss)/earnings per share					
<i>(HK cents)</i>					
From continuing operations	7	(0.21)	(0.17)	(0.34)	(0.36)
From discontinued operation	7	<u>—</u>	<u>0.22</u>	<u>—</u>	<u>0.23</u>
From loss for the period		<u>(0.21)</u>	<u>0.05</u>	<u>(0.34)</u>	<u>(0.13)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2014 <i>HK\$'000</i> (unaudited)	At 31 December 2013 <i>HK\$'000</i> (audited)
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		41,561	43,717
Statutory deposits and other assets		6,719	6,908
Investments in associates		21,682	16
		<u>69,962</u>	<u>50,641</u>
Current assets			
Inventories		648	694
Trade receivables	8	10,496	6,488
Prepayment, deposits and other receivables		20,770	13,167
Bank balances and cash		34,307	83,132
		<u>66,221</u>	<u>103,481</u>
Total assets		<u>136,183</u>	<u>154,122</u>
Current liabilities			
Trade payables	9	10,619	8,682
Other payables and accruals		5,603	7,421
Current income tax liabilities		—	1,039
Borrowings	10	13,299	14,206
		<u>29,521</u>	<u>31,348</u>
Net current assets		<u>36,700</u>	<u>72,133</u>
Total assets less current liabilities		<u>106,662</u>	<u>122,774</u>
Non-current liabilities			
Deferred income tax liabilities		4,016	4,016
		<u>4,016</u>	<u>4,016</u>
Net assets		<u>102,646</u>	<u>118,758</u>

		At 30 June 2014 <i>HK\$'000</i> (unaudited)	At 31 December 2013 <i>HK\$'000</i> (audited)
	<i>Note</i>		
Capital and reserves			
Share capital	11	44,590	44,590
Share premium	11	1,075,501	1,075,501
Special reserve		4,779	4,779
Translation reserve		9,745	10,791
Warrants reserve		223	223
Share-based compensation reserve		23,255	23,255
Accumulated losses		(1,058,061)	(1,042,988)
Equity attributable to owners of the Company		100,032	116,151
Non-controlling interests		2,614	2,607
Total equity		102,646	118,758

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company									
	Share capital	Share premium	Special reserve	Translation reserve	Warrants reserve	Share-based compensation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	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 2013	40,290	1,028,819	4,779	9,730	223	23,255	(1,008,954)	98,142	—	98,142
Total comprehensive expense for the period	—	—	—	604	—	—	(5,186)	(4,582)	—	(4,582)
Balance as at 30 June 2013	<u>40,290</u>	<u>1,028,819</u>	<u>4,779</u>	<u>10,334</u>	<u>223</u>	<u>23,255</u>	<u>(1,014,140)</u>	<u>93,560</u>	<u>—</u>	<u>93,560</u>
Balance as at 1 January 2014	44,590	1,075,501	4,779	10,791	223	23,255	(1,042,988)	116,151	2,607	118,758
Total comprehensive expense for the period	—	—	—	(1,046)	—	—	(15,073)	(16,119)	7	(16,112)
Balance as at 30 June 2014	<u>44,590</u>	<u>1,075,501</u>	<u>4,779</u>	<u>9,745</u>	<u>223</u>	<u>23,255</u>	<u>(1,058,061)</u>	<u>100,032</u>	<u>2,614</u>	<u>102,646</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash used in operating activities	(23,491)	(15,775)
Net cash (used in)/generated from investing activities	(24,774)	55,978
Net cash used in financing activities	(907)	(17,970)
Net (decrease)/increase in cash and cash equivalents	(49,172)	22,233
Cash and cash equivalents at beginning of period	77,090	14,562
Cash and cash equivalents at end of period	<u>27,918</u>	<u>36,795</u>
Bank balances of cash include the following for the purposes of the condensed consolidated statement of cash flows:		
Cash at bank and on hand	34,307	42,194
Segregated trust bank balances	(6,389)	(5,399)
Cash and cash equivalents	<u>27,918</u>	<u>36,795</u>

1. GENERAL INFORMATION

First China Financial Network Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in (i) the precious metals spot trading and brokerage services, (ii) provision of stock information and research services through the internet network, (iii) research, exploration and development of the student safety network project and the electronic student card in the People’s Republic of China (the “PRC”), and (iv) provision of securities and futures trading services, corporate finance services and wealth management services in Hong Kong and trading and principal investments.

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, while the functional currencies of certain subsidiaries are presented in Renminbi (“RMB”). The Company has selected Hong Kong dollar as its presentation currency as management considered it is more beneficial to the users of the unaudited condensed consolidated financial statements. These unaudited condensed consolidated financial statements have been approved and authorized for issue by the board of directors on 7 August 2014.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards. They have been prepared under the historical cost convention, as modified by the revaluation of an investment properties, which are carried at fair value.

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 principal accounting policies applied in the preparation of these unaudited condensed consolidated financial statements were consistent with those applied for the financial statements of the Group for the year ended 31 December 2013.

3. REVENUE

An analysis of the Group's revenue for the period from continuing operations is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(Restated) (unaudited)	(unaudited)	(Restated) (unaudited)
Continuing operations				
Commission income from securities and futures brokerage	257	267	603	951
Commission income from precious metals brokerage	2,769	—	7,873	—
Spot trading profit on precious metals contracts, net	2,083	—	8,026	—
Interest income from clients	124	103	251	174
Income from provision of wealth management services	5	23	7	54
Income from provision of stock information and research services	50	74	32	149
Income from provision of a trading platform	—	39	—	79
	<u>5,288</u>	<u>506</u>	<u>16,792</u>	<u>1,407</u>

4. SEGMENT INFORMATION

The Executive Directors consider the Group has seven reportable segments:

- (1) provision of brokerage and securities margin financing services;
- (2) precious metals spot trading and brokerage;
- (3) provision of corporate finance services;
- (4) trading and principal investments;
- (5) provision of wealth management services;
- (6) provision of stock information and research services; and
- (7) provision of a trading platform.

During the period ended 30 June 2013, the Group discontinued its property investments business after entering into a sale and purchase agreement on disposal of its investment property to an independent third party. The segment information report below does not include any amounts for this discontinued operation, which are described in more detail in Note 6. Accordingly, comparative figures of the Group's segment results have been restated to present the discontinued operation separately.

The segment information of the reportable segments from continuing operations for the six months ended 30 June 2013 is as follows:

	Continuing operations						
	Brokerage and securities margin financing services	Corporate finance services	Trading and principal investments	Wealth management services	Stock information and research services	Provision of a trading platform	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Segment revenue from external customers	1,125	—	—	54	149	79	1,407
Segment results	(1,976)	—	—	34	(4,050)	6	(5,986)
Net unallocated expenses							(8,295)
Finance costs							(233)
Loss before income tax							(14,514)
Income tax expense							—
Loss for the period from continuing operations							(14,514)

The segment information of the reportable segments from continuing operations for the six months ended 30 June 2014 is as follows:

	Continuing operations						
	Brokerage and securities margin financing services	Precious metals spot trading and brokerage	Corporate finance services	Trading and principal investments	Wealth management services	Stock information and research services	Provision of a trading platform
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Segment revenue from external customers	854	15,899	—	—	7	32	—
Segment results	(1,746)	25	—	—	6	(2,228)	—
Net unallocated expenses							(8,960)
Finance costs							(207)
Share of loss of associates							(1,947)
Loss before income tax							(15,057)
Income tax expense							(9)
Loss for the period from continuing operations							(15,066)

The Group mainly operates in Hong Kong and the PRC.

	Six months ended	
	30 June 2014	30 June 2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue		
Hong Kong	861	1,258
The PRC	15,931	149
	<u>16,792</u>	<u>1,407</u>

Revenue from continuing operations from external customers are allocated based on the country in which the customer is located.

5. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2013: 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 unaudited condensed consolidated financial statements as the Group incurred a tax loss for the period (2013: 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. DISCONTINUED OPERATION

In March 2013, First China Property Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party in relation to disposal of the investment property at a cash consideration of HK\$56,000,000. The disposal was completed on 31 May 2013.

The profit for the period from discontinued property investments business is set out below. The comparatives in the unaudited condensed consolidated statement of profit or loss and other comprehensive income have been restated to re-present the property investments business as a discontinued operation.

	Three months ended		Six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit of property investments business for the period	<u>—</u>	<u>9,057</u>	<u>—</u>	<u>9,328</u>

The results of the property investments business for the period ended 30 June 2014 and 2013, which have been included in the unaudited condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period from discontinued operation:				
Revenue	—	249	—	624
Other gains	—	8,899	—	8,899
Others income	—	1	—	1
Finance costs	—	(72)	—	(173)
Other operating expenses	—	(20)	—	(23)
	—	9,057	—	9,328
Profit before income tax	—	9,057	—	9,328
Income tax expense	—	—	—	—
Profit for the period	<u>—</u>	<u>9,057</u>	<u>—</u>	<u>9,328</u>
Profit for the period from discontinued operation includes the following:				
Rental income	—	(249)	—	(624)
Less: direct operation expenses from an investment property that generated rental income	—	71	—	175
	<u>—</u>	<u>(178)</u>	<u>—</u>	<u>(449)</u>
Gain on disposal of an investment property	<u>—</u>	<u>8,899</u>	<u>—</u>	<u>8,899</u>

7. (LOSS)/EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share	<u>(15,073)</u>	<u>(5,186)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>4,458,960,120</u>	<u>4,028,964,120</u>

The computation of diluted loss per share for the period ended 30 June 2014 does not assume the exercise of the Company's outstanding warrants and share options since their exercise would result in a decrease in loss per share. In addition, the computation of diluted loss per share for the period ended 30 June 2013 does not assume the exercise of the Company's outstanding warrants and share options as the exercise price of those warrants and options are higher than the average market price of the Company's shares during the period.

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to owners of the Company is based on the following data:

	Six months ended	
	30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company	(15,073)	(5,186)
Less:		
Profit for the period from discontinued operation	<u>—</u>	<u>9,328</u>
Loss for the purpose of basic and diluted loss per share from continuing operations	<u>(15,073)</u>	<u>(14,514)</u>

The denominators used are the same as those detailed above for both basic and diluted loss per share.

The computation of diluted loss per share for continuing operations for the period ended 30 June 2014 does not assume the exercise of the Company's outstanding warrants and share options since their exercise would result in a decrease in loss per share. In addition, the computation of diluted loss per share for continuing operations for the period ended 30 June 2013 does not assume the exercise of the Company's outstanding warrants and share options as the exercise price of those warrants and options are higher than the average market price of the Company's shares during the period.

From discontinued operation

Basic and diluted earnings per share for the discontinued operation is HK\$ nil cent per share (2013: HK0.23 cent per share), based on the profit for the period from the discontinued operation of HK\$ nil (2013: approximately HK\$9,328,000) and the denominators used are the same as those detailed above for both basic and diluted earnings per share.

8. TRADE RECEIVABLES

	At 30 June 2014 <i>HK\$'000</i> (unaudited)	At 31 December 2013 <i>HK\$'000</i> (audited)
Amounts receivable arising from securities broking:		
Margin clients	6,869	4,311
Cash clients	965	863
HKSCC (net)	2,263	905
Amounts receivable arising from precious metals spot trading and brokerage:		
PMEC (net)	399	409
Other trade receivables	—	121
	10,496	6,609
Less: Provision for impairment loss	—	(121)
Trade receivables, net	10,496	6,488

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\$24,025,000 as at 30 June 2014 (31 December 2013: approximately HK\$23,300,000). 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. 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 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.

As at 30 June 2014, no trade receivables (31 December 2013: approximately HK\$120,000) were impaired. The amount of provision was HK\$ nil as of 30 June 2014 (31 December 2013: approximately HK\$121,000). The individually impaired receivables mainly relate to a few customers, which are in unexpected difficult economic situations.

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

	At 30 June 2014 <i>HK\$'000</i> (unaudited)	At 31 December 2013 <i>HK\$'000</i> (audited)
At the beginning of period	121	—
Provision for impairment of trade receivables	—	120
Currency translation differences	—	1
Receivables written off during the period as uncollectible	(121)	—
At the end of period	—	121

9. TRADE PAYABLES

	At 30 June 2014 <i>HK\$'000</i> (unaudited)	At 31 December 2013 <i>HK\$'000</i> (audited)
Amounts payable arising from securities broking:		
Margin clients	—	124
Cash clients	9,844	7,763
Other trade payables	775	795
	10,619	8,682

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.

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

	At 30 June 2014 <i>HK\$'000</i> (unaudited)	At 31 December 2013 <i>HK\$'000</i> (audited)
0–30 days	—	—
31–90 days	—	—
91–180 days	—	—
181–365 days	—	—
Over 365 days	775	795
	<u>775</u>	<u>795</u>
	<u>775</u>	<u>795</u>

10. BORROWINGS

	At 30 June 2014 <i>HK\$'000</i> (unaudited)	At 31 December 2013 <i>HK\$'000</i> (audited)
Borrowings included in current liabilities		
Secured bank borrowings	13,299	14,206
	<u>13,299</u>	<u>14,206</u>

11. SHARE CAPITAL AND PREMIUM

	Number of issued shares (in thousands)	Ordinary shares <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2014 and 30 June 2014	4,458,960	44,590	1,075,500	1,120,090
	<u>4,458,960</u>	<u>44,590</u>	<u>1,075,500</u>	<u>1,120,090</u>

The total authorized number of ordinary share is 10,000,000,000 shares (2013: 10,000,000,000 shares) with a par value of HK\$0.01 per share (2013: HK\$0.01 per share). All issued shares are fully paid.

12. DIVIDEND

The Directors do not recommend the payment of a dividend for the period ended 30 June 2014 (2013: Nil).

BUSINESS REVIEW

The Group in the six months ended 30 June 2014 recorded a turnover from continuing operations of approximately HK\$16.79 million, an increase of approximately HK\$15.38 million which was almost ten times increase when compared with the same period last year. Such significant increase mainly came from the segments of precious metals spot trading and brokerage. The Group was confident on the precious metal trading business, accordingly the Group invested in a newly established precious metal exchange centre, 深圳前海首華貴金屬交易中心有限公司 (transliterated as Shenzhen Qianhai First China Precious Metals Exchange Centre Limited) which became an associated company of the Group.

Besides the precious metal trading business, the Group also commenced the school safety network business especially the electronic student identity card business. In May 2014, the Group acquired 100% shareholding interest of a limited company incorporated in China, 深圳天星通科技有限公司 (transliterated as Shenzhen Star Technology Co. Ltd.).

The Group in the first six months of 2014 had a loss of approximately HK\$15.07 million. An increase of loss of approximately HK\$9.88 million was due to no extraordinary income on disposal of investment property in the first six months of 2014 when compared with corresponding period of last year. However, the Group expected that both the exchange centre business and the electronic student identity card business will start to generate income for the Group in the second half of the year.

FINANCIAL REVIEW

The revenue and operating result of the investment property for the six months ended 30 June 2013 are presented as discontinued operation. The comparative figures in the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2013 have been restated accordingly.

The Group recorded an unaudited revenue from continuing operations of approximately HK\$16.79 million for the six months ended 30 June 2014 compared with that of approximately HK\$1.41 million for the corresponding period in 2013. The sharply increase of revenue was mainly attributable to the precious metals spot trading and brokerage business.

In the period under review, revenue of commission income from precious metals brokerage recorded approximately HK\$7.87 million and the revenue of spot trading profit on precious metals contracts recorded approximately HK\$8.03 million. Since these segments were commenced in August 2013, there was no record in the same period in last year. Employee benefits expenses and other operating expenses were relatively increased to approximately HK\$13.09 million and approximately HK\$14.71 million respectively due to the new formed precious metals business.

For the six months ended 30 June 2014, loss attributable to owners of the Company was approximately HK\$15.07 million, compared with approximately HK\$5.19 million for the corresponding period last year. In summary, the loss per share for the reporting period was approximately 0.34 HK cents while the loss per share was approximately 0.13 HK cents for the same period last year.

The equity attributable to owners of the Company amounted to approximately HK\$100.03 million as at 30 June 2014, representing a decrease of approximately HK\$16.12 million, or 13.9% from that of 31 December 2013. The decrease was mainly attributed to the loss for the period under review to owners of the Company.

The Group's net current assets at as 30 June 2014 amounted to approximately HK\$36.70 million and the liquidity of the Group, as demonstrated by the current ratio (current assets/current liabilities) was 2.2 times. The Group's bank balances and cash approximately to HK\$34.31 million as at 30 June 2014, and the total borrowings amounted to HK\$13.30 million which was secured by the charges over certain of the Group's land and buildings and corporate guarantee executed by the Company.

OUTLOOK

As the financial market is gradually more open in China, precious metal trading and investment becomes more popular in China. Like other financial institutions in Hong Kong, the Group commenced its precious metals business in China in July 2013 and this business has become a major revenue of the Group. Accordingly, the Group enhanced the precious metal business in 2014 by established an associated company Shenzhen Qianhai First China Precious Metals Exchange Centre Limited in Qianhai, China which is engaged in the business of wholesale spot trading and retail sales of precious metals (excluding gold). Due to the recent large portion of the Group's revenue came from precious metals business, the Group will continue to develop and expand the precious metals trading business in China in future.

In addition, the Group also engaged in school safety network business by developing the electronic student identity card business. On 30 May 2014, the Group has acquired Shenzhen Star Technology Co. Ltd, a PRC company engaged in developing and exploring various telecommunication technologies and especially in the electronic student identity card. Together with the contracts we signed last year with the Next Generation Education Foundation, a charitable foundation managed by Education Department in PRC which will help the Group by introducing the electronic student identity cards to the schools in China, the Group expects that school safety network business will generate revenue to the Group in coming years.

Finally, the Group will continue to seek other new business opportunities to enhance the Group's revenue.

DIRECTORS' REPORT

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

As at 30 June 2014, 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 Directors	Number of shares			Total	Approximate percentage of shareholding
	Personal Interests	Family Interests	Corporate Interests		
Wang Wenming (Note 1)	450,212,307	145,116,650	—	595,328,957	13.35%
Lee Yiu Sun	110,060,000	—	—	110,060,000	2.47%
Wang Jiawei (Note 2)	202,043,628	—	—	202,043,628	4.53%
Song Binyang (Note 2)	—	202,043,628	—	202,043,628	4.53%
Liu Runtong	2,646,000	—	—	2,646,000	0.06%

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.
- (2) Mr. Wang Jiawei held 202,043,628 shares of the Company. Ms. Song Binyang, the spouse of Mr. Wang Jiawei, was deemed to be interested in 202,043,628 shares of the Company.

(b) Long positions in underlying shares of the Company

Share option scheme of the Company

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 Annual General Meeting 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 2014:

Name of Director	Date of grant	Number of share options					Option period	Exercise price (HK\$)
		Outstanding as at 1 January 2014	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding as at 30 June 2014		
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 Benzhen	13/04/2010	2,124,105	—	—	—	2,124,105	13/04/2010– 12/04/2020	0.419

Save as disclosed above, at no time during the period under review 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 Interest	Corporate Interest	
Lee Yiu Sun (Note 3)	50,000,000	—	1.12%

Note:

- (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 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 2014, 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 (<i>Note 1</i>)	Beneficial owners	595,328,957	13.35%

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.

(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 (<i>Note 2</i>)	Beneficial owners	11,682,577	0.26%

Note:

- (2) 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 2014, 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 of the Company" 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 Share 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. 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 Annual General Meeting 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 in respect of which options may be granted under the 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 subscriber for 32,400,000 shares and 84,000,000 shares of the Company respectively were granted to the Directors and certain employees of the Company. As at 30 June 2014, details of the outstanding share options were as follows:

Date of grant	Number of share options					Option period	Exercise price (HK\$)
	Outstanding as at 1 January 2014 (Note)	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding as at 30 June 2014 (Note)		
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

Note: Pursuant to the Share Option Scheme, 32,400,000 and 84,000,000 share of share options were granted by the Company on 5 September 2007 and 13 April 2010 respectively and were adjusted on 15 June 2010.

Directors’ Interest in Competing Business

As at 30 June 2014, the Directors were not aware of any business or interest of each Director, management shareholder (as defined in the GEM Listing Rules) and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

Compliance with Code on Corporate Governance Practice

The Company has applied the principles and has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules throughout the period under review.

Directors' Securities Transaction

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. Having made specific enquiry of all Directors, all Directors of the Company confirmed that they have complied with the required standard dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the period under review.

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.

Audit Committee

In compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, the Company has established an Audit Committee with written terms of reference which deal clearly with its authority and duties. The principal duties of the Audit Committee of the Company are to review and supervise the financial reporting process and internal control procedures of the Group.

The Audit Committee comprises 4 independent non-executive Directors, namely Professor Zhang Benzheng, Mr. Tony I Tong, Mr. Li Jianxing and Professor Chen Shu Wen.

The Audit Committee has reviewed the financial statements of the Group for the six months ended 30 June 2014 pursuant to the relevant provisions contained in the Corporate Governance Code 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
Executive Director

Hong Kong, 7 August 2014

As of the date of this announcement, the executive Directors are Mr. Wang Wenming, Mr. Lee Yiu Sun, Mr. Wang Jiawei and Ms. Song Binyang, 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 Professor 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.