

2011
Interim Report



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



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

This report, for which the directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report 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 report misleading; and (iii) 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 turnover of approximately HK\$9,861,000 for the six months ended 30 June 2011.

Loss for the six months ended 30 June 2011 was approximately HK\$14,760,000.

Loss attributable to owners of the Company for the six months ended 30 June 2011 amounted to approximately HK\$13,968,000.

Both basic and diluted loss per share were 0.36 HK cents.

The Directors do not recommend the payment of a dividend for the six months ended 30 June 2011.



Interim Result (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 2011 together with the comparative unaudited figures for the corresponding period in 2010.

Condensed Consolidated Statement of Comprehensive Income

	Note	Three months ended		Six months ended	
		30 June		30 June	
		2011	2010	2011	2010
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	3	4,857	20,289	9,861	37,123
Other income		1,270	2,416	4,516	2,824
Employee benefits expenses		(4,807)	(32,013)	(8,972)	(40,873)
Depreciation of property, plant and equipment		(1,727)	(1,172)	(3,317)	(2,245)
Amortization of intangible assets		—	(1,126)	—	(2,248)
Finance costs		(249)	—	(411)	—
Other operating expenses		(7,824)	(12,196)	(16,102)	(22,466)
Share of losses of associates		(7)	(135)	(16)	(383)
Loss before income tax		(8,487)	(23,937)	(14,441)	(28,268)
Income tax expense	5	(8)	(1,375)	(319)	(2,049)
Loss for the period		(8,495)	(25,312)	(14,760)	(30,317)
Other comprehensive income					
Currency translation differences		1,703	1,052	1,881	1,607
Other comprehensive income for the period, net of tax		1,703	1,052	1,881	1,607
Total comprehensive loss for the period		(6,792)	(24,260)	(12,879)	(28,710)



	Note	Three months ended		Six months ended	
		30 June		30 June	
		2011	2010	2011	2010
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Loss for the period attributable to:					
Owners of the Company		(8,089)	(24,716)	(13,968)	(29,379)
Non-controlling interests		(406)	(596)	(792)	(938)
		(8,495)	(25,312)	(14,760)	(30,317)
Total comprehensive loss attributable to:					
Owners of the Company		(6,309)	(23,658)	(12,066)	(27,767)
Non-controlling interests		(483)	(602)	(813)	(943)
		(6,792)	(24,260)	(12,879)	(28,710)
Loss per share for loss attributable to the owners of the Company during the period					
— basic (HK cents)	6	(0.36)	(0.91)	(0.36)	(0.91)
— diluted (HK cents)	6	(0.36)	(0.91)	(0.36)	(0.91)

Condensed Statements of Financial Position

		At 30 June 2011 HK\$'000 (unaudited)	At 31 December 2010 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		50,214	12,514
Investment property		41,059	—
Intangible assets		—	81
Statutory deposits and other assets		530	575
Investments in associates		664	669
		92,467	13,839
Current assets			
Inventories		—	41
Held-for-trading investments		3,725	3,218
Current income tax recoverable		2,239	2,202
Trade receivables	7	23,899	6,187
Prepayment, deposits and other receivables		50,844	55,886
Amount due from an associate		2,550	2,502
Bank balances and cash		47,980	131,893
		131,237	201,929
Total assets		223,704	215,768
Current liabilities			
Trade payables	8	12,062	29,394
Other payables and accruals		14,229	14,137
Bank loan		37,827	—
		64,118	43,531
Net current assets		67,119	158,398
Net assets		159,586	172,237



		At 30 June 2011 HK\$'000 (unaudited)	At 31 December 2010 HK\$'000 (audited)
Capital and reserves			
Share capital	9	40,290	38,290
Share premium	9	1,028,819	862,819
Special reserve		4,779	4,779
Translation reserve		10,697	8,837
Shares to be issued		—	168,000
Share options reserve		—	14,460
Share-based compensation reserve		23,342	24,178
Accumulated losses		(950,688)	(952,016)
Equity attributable to owners of the Company		157,239	169,347
Non-controlling interests		2,347	2,890
Total equity		159,586	172,237

Condensed Statements of Changes in Equity

For the six months ended 30 June 2011

	Attributable to owners of the Company										
	Share capital	Share premium	Special reserve	Translation reserve	Shares to be issued	Share options 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	HK\$'000
Balance as at 1 January 2010	29,541	495,488	4,779	4,151	336,000	28,921	795	(737,448)	162,227	665	162,892
Total comprehensive loss for the period	—	—	—	1,607	—	—	—	(29,379)	(27,772)	(943)	(28,715)
Capital contributions from non-controlling interests	—	—	—	—	—	—	—	—	—	5,258	5,258
Issue of shares upon exercise of Option in respect of acquisition of subsidiaries	200	2,800	—	—	—	—	—	—	3,000	—	3,000
Issue of Consideration Shares	2,000	166,000	—	—	(168,000)	—	—	—	—	—	—
Issue of Bonus Shares	75	6,207	—	—	—	—	—	—	6,282	—	6,282
Transfer upon exercise of Option in respect of acquisition of subsidiaries	—	14,461	—	—	—	(14,461)	—	—	—	—	—
Issue of new shares by way of Open Offer	6,382	176,692	—	—	—	—	—	—	183,074	—	183,074
Share option scheme — issue of shares under the share option scheme	—	—	—	—	—	—	23,383	—	23,383	—	23,383
Issue of new shares for acquisition of intangible asset	92	1,603	—	—	—	—	—	—	1,695	—	1,695
Balance as at 30 June 2010	38,290	863,251	4,779	5,758	168,000	14,460	24,178	(766,827)	351,889	4,980	356,869
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)	—	—	—	—	—	—
Transfer upon exercise of Option in respect of acquisition of subsidiaries	—	—	—	—	—	(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



Condensed Statement of Cash Flows

	For the six months ended	
	30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(26,571)	(16,477)
Net cash used in investing activities	(81,886)	(10,038)
Net cash generated from financing activities	43,191	134,741
Net (decrease)/increase in cash and cash equivalents	(65,266)	108,226
Cash and cash equivalents at beginning of period	104,961	54,005
Cash and cash equivalents at end of period	39,695	162,231
Analysis of the balance of cash and cash equivalents		
Cash at bank and in hand	47,980	193,632
Segregated trust bank balances	(8,285)	(31,401)
	39,695	162,231

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 in Hong Kong and wealth management services in Hong Kong and the PRC.

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

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 12 August 2011.

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 available-for-sale financial assets, and 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 2010.



3. REVENUE

	Three months ended		Six months ended	
	30 June		30 June	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Income from provision of stock information and research services	3,349	15,744	4,067	27,932
Income from provision of a trading platform	41	54	81	81
Commission income from securities and futures brokerage	1,421	3,489	4,592	7,584
Interest income from clients	344	93	527	179
Net fair value gains/(losses) on securities trading	(411)	356	399	356
Income from provision of wealth management services	113	553	195	991
	4,857	20,289	9,861	37,123

4. SEGMENT INFORMATION

The executive directors consider the Group has six reportable segments:

- (i) Provision of stock information and research services;
- (ii) Provision of a trading platform;
- (iii) Provision of brokerage and securities margin financing;
- (iv) Provision of corporate finance services;
- (v) Trading and principal investments; and
- (vi) Provision of wealth management services.



The Group mainly operates in Hong Kong and the PRC.

	For the six months ended	
	30 June 2011 HK\$'000 (unaudited)	30 June 2010 HK\$'000 (unaudited)
Revenue		
Hong Kong	5,325	8,675
The PRC	4,536	28,448
	9,861	37,123

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% (2010: 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 (2010: 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 2011 of approximately HK\$13,968,000 (2010: loss of approximately HK\$29,379,000) by the weighted average number of 3,880,897,822 (2010: 3,208,517,493) ordinary shares in issue during the period.

Diluted

The computation of diluted loss per share for the period ended 30 June 2010 and 30 June 2011 did not assume the exercise of the Company's share options outstanding during the period ended 30 June 2010 and 30 June 2011 since their exercise would result in a decrease in loss per share.

	Six months ended 30 June	
	2011	2010
Loss		
Loss attributable to owners of the Company, approximately (HK\$)	(13,968,000)	(29,379,000)
Loss used to determine diluted loss per share, approximately (HK\$)	(13,968,000)	(29,379,000)
Weighted average number of ordinary shares in issue	3,880,897,822	3,208,517,493
Adjustment for share options	622,927	3,390,696
Weighted average number of ordinary shares for diluted loss per share	3,881,520,749	3,211,908,189



7. TRADE RECEIVABLES

	At 30 June 2011 HK\$'000 (unaudited)	At 31 December 2010 HK\$'000 (audited)
Amounts receivable arising from securities broking:		
Margin clients	1,516	848
Cash clients	15,292	2,319
HKSCC (net)	6,865	2,730
Other trade receivables	226	413
	23,899	6,310
Less: provision for impairment of trade receivables	—	(123)
Trade receivables, net	23,899	6,187

Amounts receivable from margin clients are repayable on demand, bear interest at prevailing market rates and are secured by clients' pledged securities that are listed on the Stock Exchange with a total market value of approximately HK\$14,619,000 as at 30 June 2011 (31 December 2010: approximately HK\$32,497,000). 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 following is an aged analysis of other trade receivables at the end of reporting period:

	At 30 June 2011 HK\$'000 (unaudited)	At 31 December 2010 HK\$'000 (audited)
0–30 days	226	290
31–90 days	—	—
91–180 days	—	—
181–365 days	—	—
Over 365 days	—	123
	226	413

The maximum exposure to credit risk at the end of reporting date is the carrying amounts of trade receivables. Other than the amounts receivable from margin clients, the Group does not hold any collateral as security in respect of its trade receivables.

8. TRADE PAYABLES

	At 30 June 2011 HK\$'000 (unaudited)	At 31 December 2010 HK\$'000 (audited)
Amounts payable arising from securities broking:		
Margin clients	208	501
Cash clients	11,822	28,708
Other trade payables	32	185
	12,062	29,394

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 2011 HK\$'000 (unaudited)	At 31 December 2010 HK\$'000 (audited)
0–30 days	32	47
31–90 days	—	—
91–180 days	—	—
181–365 days	—	—
Over 365 days	—	138
	32	185

9. 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 2011	3,828,964	38,290	862,819	901,109
Issue of shares through:				
Issue of Consideration Shares in respect of acquisition of subsidiaries	200,000	2,000	166,000	168,000
As at 30 June 2011	4,028,964	40,290	1,028,819	1,069,109

The total authorized number of ordinary shares is 10,000,000,000 shares (2010: 10,000,000,000 shares) with a par value of HK\$0.01 per share (2010: 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.

10. DIVIDEND

The Directors do not recommend the payment of a dividend for the period ended 30 June 2011 (2010: nil).

Business Review

While the financial services sector remains severely competitive, for the first half of the year of 2011, the Group incurred a loss for the period. The turnover for the six months ended 30 June, 2011 amounted to approximately HK\$9.9 million. The revenue of the Group mainly came from Hong Kong operation.

In January of this year, the Group made two mortgage loans with two banks for the 16th Floor and 17th Floor of CMA Building in Central. It purchased these properties in the fourth quarter of last year with an aggregate of over HK\$78 million in considerations. The registered and business address of the Company and the principal subsidiaries has changed to 16th Floor of CMA Building with effect from 1 July 2011. The business of stock brokerages remains at our branch address Chun Wo Building in Central.

Financial Review

The Group recorded an unaudited turnover of approximately HK\$9.9 million for the six months ended 30 June 2011 compared to that of approximately HK\$37.1 million for the corresponding period in 2010. The decrease is mainly attributable to the reduction of income from provision of stock information and research analysis services from Shenzhen operation. Due to PRC government tightened regulatory control, it has slowed down since last year. Turnover of commission income from securities and futures brokerage was down by approximately 39% from approximately HK\$7.6 million for the corresponding period in 2010 to approximately HK\$4.6 million for the period under review.

For the six months ended 30 June 2011, loss attributable to shareholders was approximately HK\$14.0 million, compared with a loss of approximately HK\$29.3 million for the corresponding period last year. Overall, the loss for the period since last year decreased because the share-based compensation expense accruing out of issue of share options to certain eligible persons in 2010 was saved in the current year of 2011.



Segment profits from provision of stock information and research services significantly turned to a loss of HK\$7.4 million in the current period from HK\$0.59 million for the corresponding period because of the slowdown in Shenzhen operation since last year, due to PRC government tightened regulatory control. Segment loss from brokerage and securities margin financing, and infrastructure broking services turned to a segment loss of approximately HK\$1.6 million for the period under review, compared with approximately HK\$0.3 million in the corresponding period of last year. However, segment loss from provision of wealth management services narrows to HK\$0.8 million in the current period under review, compared with a loss of HK\$1.3 million from the same period last year; segment gain from trading and principal investment remains approximately the same.

In summary, the loss per share for the reporting period was approximately 0.36 HK cent while the loss per share was 0.91 HK cent for the same period last year.

Outlook

As mentioned in our Annual Report 2010 and First Quarterly Report 2011, the financial services market in PRC continued to be our major focus.

Though the factors from external environment were unfavourable to the stock market, causing unsatisfactory trading volume for the first half of the year, the future is believed to be promising as the trading hours of the local market has been extended. Given our connectivity in China and business relationship with our precious clients, and our current healthy liquidity and financial position, the Group is positioned to deliver better results in the future.

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

As at 30 June 2011, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in shares of the Company

Name of Director	Number of shares			Approximate percentage of shareholding
	Personal Interests	Corporate Interests	Total	
Wang Wenming	595,328,957 (note 1)	362,410,095 (note 2)	957,739,052	23.77%
Lee Yiu Sun	110,060,000	—	110,060,000	2.73%
Liu Runtong	2,144,000	—	2,144,000	0.05%

Notes:

- (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 Wenming was deemed to be interested in 362,410,095 shares of the Company through his controlling interests in Fame Treasure Limited.



(b) Long positions in underlying shares of the Company

(i) Share option scheme of the Company

Pursuant to the share option scheme adopted by the Company on 17 December, 2001 (the "Share Option Scheme"), the Directors and chief executive were granted share options to subscribe for shares of the Company, the details of which as at 30 June 2011 are as follows:

Name of Director	Date of grant	Number of share options					Outstanding as at 30 June 2011	Option period	Exercise price (note 3) (HK\$)
		Outstanding as at 1 January 2011	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding as at 30 June 2011			
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	0.228	
Liu Run tong	13/04/2010	31,861,575	—	—	—	31,861,575	13/04/2010–12/04/2020	0.419	
Tsang Hing Lun	13/04/2010	3,186,158	—	—	3,186,158 (note 3)	—	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	

Notes:

- (3) With effect from 6 January 2011, Dr Tsang Hing Lun resigned as an independent non-executive director of the Company, member of the Audit Committee, Remuneration Committee and Nomination Committee. Accordingly his entitlement to share option lapsed on the same date.

(ii) *Agreement and Subscription Agreement involving granting of share options*

Pursuant to the Agreement dated 11 July 2007 and the Supplementary Agreement dated 30 July 2007 relating to the acquisition of the entire shareholding of GoHi Holdings Limited (collectively the "Agreements"), the Company granted to Mr. Wang Wenming an option to subscribe for 20,000,000 shares of the Company at an exercise price of HK\$0.15 per share in each of the 12-month periods ending 30 June 2008, 2009 and 2010 respectively (i.e. a maximum of 60,000,000 shares) subject to the fulfillment of certain conditions as stipulated in the Agreements. With the fulfillment of the said conditions for the 12-month period 30 June 2008, an option to subscribe for 20,000,000 shares was granted to Mr. Wang Wenming who exercised the options and was allotted 20,000,000 shares on 15 January 2009. With the fulfillment of the said conditions for the 12-month period 30 June 2009, another option to subscribe for 20,000,000 shares was granted to Mr. Wang Wenming who exercised the options and was allotted 20,000,000 shares on 26 February 2010. Since the said conditions for the 12-month period 30 June 2010 was not fulfilled, accordingly, pursuant to the aforesaid Agreements, the remaining option to subscribe for 20,000,000 shares of the Company was not granted and has lapsed as at 30 June 2011.

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



(c) Short positions in underlying shares of the Company

Name of Director	Number of shares		Approximate percentage of shareholding
	Personal Interests	Corporate Interests	
Lee Yiu Sun	50,000,000 (note 4)	—	1.24%

Note:

- (4) Pursuant to an option deed dated 31 August 2005, Asia Network Holdings Limited entered into an option deed with Mr. Lee Yiu Sun ("Mr. Lee") whereby Mr. Lee granted Asia Network Holdings Limited an option to purchase all or part of his 50,000,000 shares in the 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, 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 2011, the following persons (not being a Director of the Company) had interests in the shares or underlying shares which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO:

(a) Long positions in shares of the Company

Name of shareholders	Capacity	Number of shares	Approximate percentage of shareholding
Wang Wenming and Chen Dongjin (note 1)	Beneficial owners	595,328,957	14.78%

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	Beneficial owners	11,682,577 (note 2)	0.78%

Notes:

- (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 2011, 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 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 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 the options granted and to be granted pursuant to the Share Option Scheme and any other share option schemes of the Company to any person (including both exercised and outstanding) in any 12-month period up to the date of grant of the options shall not exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders.

On 5 September 2007 and 13 April 2010, options to subscribe for an aggregate of 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 2011, details of the outstanding options were as follows:

Date of grant	Number of share options					Outstanding as at 30 June 2011	Option period	Exercise price (HK\$)
	Outstanding as at 1 January 2011	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding as at 30 June 2011			
13/04/2010	89,212,411	—	—	3,186,158 (note)	86,026,253	13/04/2010– 12/04/2020	0.419	
05/09/2007	4,779,236	—	—	—	4,779,236	13/04/2010– 12/04/2020	0.215	

Note: With effect from 6 January 2011, Dr Tsang Hing Lun resigned as an independent non-executive director of the Company, member of the Audit Committee, Remuneration Committee and Nomination Committee. Accordingly his entitlement to share option lapsed on the same date.



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

Pursuant to the Agreement dated 11 July 2007 and the Supplementary Agreement dated 30 July 2007 relating to the acquisition of the entire shareholding of GoHi Holdings Limited (collectively the "Agreements"), the Company granted to Mr. Wang Wenming an option to subscribe for 20,000,000 shares of the Company at an exercise price of HK\$0.15 per share in each of the 12-month periods ending 30 June 2008, 2009 and 2010 respectively (i.e. a maximum of 60,000,000 shares) subject to the fulfillment of certain conditions as stipulated in the Agreements. With the fulfillment of the said conditions for the 12-month period 30 June 2008, an option to subscribe for 20,000,000 shares was granted to Mr. Wang Wenming who exercised the options and was allotted 20,000,000 shares on 15 January 2009. With the fulfillment of the said conditions for the 12-month period 30 June 2009, another option to subscribe for 20,000,000 shares was granted to Mr. Wang Wenming who exercised the options and was allotted 20,000,000 shares on 26 February 2010. Since the said conditions for the 12-month period 30 June 2010 was not fulfilled, accordingly, pursuant to the aforesaid Agreements, the remaining option to subscribe for 20,000,000 shares of the Company was not granted, and has lapsed as at 30 June 2011.

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 2011 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.

On behalf of the Board
**First China Financial
Network Holdings Limited**
Lee Yiu Sun
Executive Director

Hong Kong, 12 August 2011

As of the date of this report, the executive Directors are Mr Wang Wenming and Mr Lee Yiu Sun, the non-executive Director is Mr Liu Runtong, the independent non-executive Directors are Professor Zhang Benzhen, Mr Li Jianxing and Mr Tony I Tong.