



Interim 2012 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 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 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\$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

	Note	Three months ended		Six months ended	
		30 June		30 June	
		2012	2011	2012	2011
		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		Six months ended	
		30 June		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

		At 30 June 2012 HK\$'000 (unaudited)	At 31 December 2011 HK\$'000 (audited)
	Note		
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

		At 30 June 2012	At 31 December 2011
	Note	HK\$'000	HK\$'000
		(unaudited)	(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	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 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	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 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 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2011 HK\$'000 (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 2012 HK\$'000 (unaudited)	30 June 2011 HK\$'000 (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 30 June 2012 HK\$'000 (unaudited)	At 31 December 2011 HK\$'000 (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 HK\$'000 (unaudited)	At 31 December 2011 HK\$'000 (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 HK\$'000 (unaudited)	At 31 December 2011 HK\$'000 (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 various 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			Approximate percentage of shareholding
	Personal Interests	Corporate Interests	Total	
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:

Name of Director	Date of grant	Number of share options					Outstanding as at 30 June 2012	Option period	Exercise price (HK\$)
		Outstanding as at 1 January 2012	Granted during the period	Exercised during the period	Cancelled/lapsed during the period				
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	

(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 (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:

Date of grant	Number of share options					Option period	Exercise price (HK\$)
	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		
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 Report, 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 Benzhen, Mr. Tony I Tong, Mr. Li Jianxing and Mr. Chen Shu Wen.