



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



2011 First
Quarterly
Report

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\$5,005,000 for the three months ended 31 March 2011.

Loss for the three months ended 31 March 2011 was approximately HK\$6,265,000.

Loss attributable to owners of the Company for the three months ended 31 March 2011 amounted to approximately HK\$5,879,000.

Both basic and diluted loss per share were 0.15 HK cents.

The Directors do not recommend the payment of a dividend for the three months ended 31 March 2011.



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First Quarterly 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 31 March 2011 together with the comparative unaudited figures for the corresponding period in 2010.

Condensed Consolidated Statement of Comprehensive Income

	Note	Three months ended 31 March	
		2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Revenue	3	5,005	16,833
Other income		3,245	408
Employee benefits expenses		(4,166)	(8,859)
Depreciation of property, plant and equipment		(1,590)	(1,073)
Amortization of intangible assets		—	(1,122)
Finance costs		(161)	—
Other operating expenses		(8,278)	(10,271)
Share of losses of associates		(9)	(248)
Loss before income tax		(5,954)	(4,332)
Income tax expense	4	(311)	(674)
Loss for the period		(6,265)	(5,006)
Other comprehensive income			
Currency translation differences		178	561
Other comprehensive income for the period, net of tax		178	561
Total comprehensive loss for the period		(6,087)	(4,445)



	Note	Three months ended 31 March	
		2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Loss for the period attributable to:			
Owners of the Company		(5,879)	(4,664)
Non-controlling interests		(386)	(342)
		(6,265)	(5,006)
Total comprehensive loss attributable to:			
Owners of the Company		(5,757)	(4,103)
Non-controlling interests		(330)	(342)
		(6,087)	(4,445)
Loss per share for loss attributable to the owners of the Company during the period			
— basic (HK cents)	5	(0.15)	(0.15)
— diluted (HK cents)	5	(0.15)	(0.15)



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Condensed Consolidated Statements of Changes in Equity

For the three months ended 31 March 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	495,489	4,779	4,151	336,000	28,921	796	(737,448)	162,229	665	162,894
Total comprehensive loss for the period	—	—	—	561	—	—	—	(4,664)	(4,103)	(342)	(4,445)
Capital contributions from non-controlling interests	—	—	—	—	—	—	—	—	—	4,463	4,463
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 for acquisition of intangible asset	92	1,603	—	—	—	—	—	—	1,695	—	1,695
Balance as at 31 March 2010	31,908	686,560	4,779	4,712	168,000	14,460	796	(742,112)	169,103	4,786	173,889
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	—	—	—	234	—	—	—	(5,879)	(5,645)	(386)	(6,031)
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	213	213
Share option scheme — vested share options lapsed	—	—	—	—	—	—	(835)	835	—	—	—
Balance as at 31 March 2011	38,290	862,819	4,779	9,071	168,000	14,460	23,343	(957,060)	163,702	2,717	166,419



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 11 May 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.



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3. Revenue

	Three months ended 31 March	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Income from provision of stock information and research services	718	12,187
Income from provision of a trading platform	40	27
Commission income from securities and futures brokerage	3,172	4,095
Interest income from clients	182	85
Net fair value gains on securities trading	811	1
Income from provision of wealth management services	82	438
	5,005	16,833

4. 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.



5. Loss Per Share

Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company for the period ended 31 March 2011 of approximately HK\$5,879,000 (2010: loss of approximately HK\$4,664,000) by the weighted average number of 3,828,964,120 (2010: 3,112,977,587) ordinary shares in issue during the period.

Diluted

The computation of diluted loss per share for the period ended 31 March 2010 and 31 March 2011 did not assume the exercise of the Company's share options outstanding during the period ended 31 March 2010 and 31 March 2011 since their exercise would result in a decrease in loss per share.

	Three months ended 31 March	
	2011	2010
Loss		
Loss attributable to owners of the Company, approximately (HK\$)	(5,879,000)	(4,664,000)
Loss used to determine diluted loss per share, approximately (HK\$)	(5,879,000)	(4,664,000)
Weighted average number of ordinary shares in issue	3,828,964,120	3,112,977,587
Adjustment for share options	917,490	3,271,847
Weighted average number of ordinary shares for diluted loss per share	3,829,881,610	3,116,249,434

6. Dividend

The Directors do not recommend the payment of a dividend for the period ended 31 March 2011 (2010: nil).



Business Review

During the first quarter of 2011, competition in local financial market remained intense. The Group was incurring a loss for the quarter under review. The turnover for the three months ended 31 March 2011 amounted to approximately HK\$5,005,000. The revenue to 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.

Financial Review

The Group recorded an unaudited turnover of approximately HK\$5,005,000 for the three months ended 31 March 2011, compared to that of approximately HK\$16,833,000 for the corresponding period in 2010. The decrease was mainly attributable to the reduction of income from provision of stock information and research analysis services from Shenzhen operation. It has temporarily slowed down since second half of last year. Turnover of commission income from securities and futures brokerage dropped by 23% from approximately HK\$4,095,000 in the same period last year to approximately HK\$3,172,000 for the quarter under review.

For the three months ended 31 March 2011, loss attributable to shareholders was approximately HK\$5,879,000, compared to a loss of approximately HK\$4,664,000 for the corresponding period last year. The loss per share for the reporting quarter under review was 0.15 HK cents compared with 0.15 HK cents for the same period last year.

Outlook

The economy has showed a sign to regain strength since the second quarter of 2009. Albeit the impact from Shenzhen operation that has led to a drop in the result comparing two quarters of period under review and corresponding period of last year, our focus on the core business in the PRC remains unchanged given our continued business relationship and correctivity in China. Based on a healthy liquidity and financial position, we are confident that our Group will be able to weather the temporary slowdown. Our strategy of focusing on our core competence of existing business and offering enhanced and improved services to investors remains steadfast.



We continue to look for new business opportunity as well as to optimize our existing business in a bid to maximize value to our Group. On materializing combined effects from these two factors, together with solid experience of the existing management and quality staff, the prospect of the Group in medium run is optimistically promising.

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

As at 31 March 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)	162,410,095 (Note 2)	757,739,052	19.79%
Lee Yiu Sun	100,019,000	—	100,019,000	2.61%
Liu Runtong	2,646,000	—	2,646,000	0.07%

Notes:

- (1) Mr. Wang Wenming and Ms. Chen Dongjin held 450,212,307 and 145,116,650 shares of the Company respectively. As Mr. Wang Wenming is the spouse of Ms. Chen Dongjin, they are deemed to be collectively interested in 595,328,957 shares of the Company.
- (2) Mr. Wang Wenming was deemed to be interested in 162,410,095 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. Details of which as at 31 March 2011 were as follows:

Name	Date of grant	Number of share options					Outstanding as at 31 March 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 31 March 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	
Liu Runtong	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 Banzheng	13/04/2010	2,124,105	—	—	—	2,124,105	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	

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 Supplemental Agreement involving granting of share options

Pursuant to the Agreement dated 11 July 2007 and the Supplemental 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 period 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 ended 30 June 2008, an option to subscribe for 20,000,000 shares was granted to Mr. Wang Wenming who exercised the option and was allotted 20,000,000 shares of the Company on 15 January 2009. With the fulfillment of the said conditions for the 12-month period ended 30 June 2009, another option to subscribe for 20,000,000 shares was granted to Mr. Wang Wenming who exercised the option and was allotted 20,000,000 shares of the Company on 26 February 2010.

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)	—	1.30%

Notes:

- (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 capital of Company at such time and such price when Mr. Lee intends to transfer or to 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 in 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 31 March 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	15.55%

Notes:

- (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.



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(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	20,000,000 (Note 2)	0.52%
	Beneficial owners	11,682,577 (Note 3)	0.31%

Notes:

- (2) On 16 November 2007, Mr. Wang Wenming was granted an option which entitles him to subscribe up to 60,000,000 shares of the Company subject to the fulfillment of the conditions as stipulated in the Agreement dated 11 July 2007 and the Supplemental Agreement dated 30 July 2007 relating to the acquisition of the entire shareholding of GoHi Holdings Limited by the Group. As Ms. Chen Dongjin is the spouse of Mr. Wang Wenming, she is deemed to be interested in the said option granted to Mr. Wang Wenming. With the fulfillment of the said conditions for the 12-month period ended 30 June 2008, an option to subscribe for 20,000,000 shares was granted to Mr. Wang Wenming who exercised the option and was allotted 20,000,000 shares of the Company on 15 January 2009. With the fulfillment of the said conditions for the 12-month period ended 30 June 2009, another option to subscribe for 20,000,000 shares was granted to Mr. Wang Wenming who exercised the option and was allotted 20,000,000 shares of the Company on 26 February 2010.
- (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 31 March 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 a share option scheme under which persons working for the interest of the Group are entitled to an opportunity to obtain equity interest in the Company (the "Share Option Scheme"). The number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes is not permitted to exceed 30% of the shares of the Company in issue from time to time, without prior approval from the Company's shareholders.

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

On 5 September 2007 and 13 April 2010, options to subscribe 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 31 March 2011, details of the outstanding options were as follows:

Date of grant	Number of share options				Outstanding as at 31 March 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			
13/04/2010	89,212,411	—	—	3,186,158	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



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

Pursuant to the Agreement dated 11 July 2007 and the Supplemental 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 (the "Option") 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 ended 30 June 2008, an option to subscribe for 20,000,000 shares was granted to Mr. Wang Wenming who exercised the option and was allotted 20,000,000 shares of the Company on 15 January 2009. With the fulfillment of the said conditions for the 12-month period ended 30 June 2009, another option to subscribe for 20,000,000 shares was granted to Mr. Wang Wenming who exercised the option and was allotted 20,000,000 shares of the Company on 26 February 2010.

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 three months period ended 31 March 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.

By order of the Board
First China Financial Network Holdings Limited
Lee Yiu Sun
Executive Director

Hong Kong, 11 May 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 and the independent non-executive Directors are Professor Zhang Benzhen, Mr Tony I Tong and Mr Li Jianxing.