



First Quarterly Report **2012**



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\$2,735,000 for the three months ended 31 March 2012.

Loss for the three months ended 31 March 2012 was approximately HK\$8,354,000.

Loss attributable to owners of the Company for the three months ended 31 March 2012 amounted to approximately HK\$7,877,000.

Both basic and diluted loss per share were 0.19 HK cents.

The Directors do not recommend the payment of a dividend for the three months ended 31 March 2012.

## First Quarterly 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 31 March 2012 together with the comparative unaudited figures for the corresponding period in 2011.

### Condensed Consolidated Statement of Comprehensive Income

	Note	Three months ended 31 March	
		2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
<b>Revenue</b>	3	<b>2,735</b>	5,005
Cost of sales		<b>(45)</b>	—
Gross profits		<b>2,690</b>	5,005
Other income		<b>127</b>	3,245
Employee benefits expenses		<b>(3,493)</b>	(4,166)
Depreciation of property, plant and equipment		<b>(1,200)</b>	(1,590)
Finance costs		<b>(246)</b>	(161)
Other operating expenses		<b>(6,108)</b>	(8,278)
Share of losses of associates		<b>(124)</b>	(9)
Loss before income tax		<b>(8,354)</b>	(5,954)
Income tax expense	4	—	(311)
Loss for the period		<b>(8,354)</b>	(6,265)
<b>Other comprehensive income</b>			
Currency translation differences		<b>18</b>	178
Other comprehensive income for the period, net of tax		<b>18</b>	178
<b>Total comprehensive loss for the period</b>		<b>(8,336)</b>	(6,087)

	Note	Three months ended	
		31 March	
		2012	2011
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
<b>Loss for the period attributable to:</b>			
Owners of the Company		<b>(7,877)</b>	(5,879)
Non-controlling interests		<b>(477)</b>	(386)
		<b>(8,354)</b>	(6,265)
<b>Total comprehensive loss attributable to:</b>			
Owners of the Company		<b>(7,859)</b>	(5,757)
Non-controlling interests		<b>(477)</b>	(330)
		<b>(8,336)</b>	(6,087)
<b>Loss per share for loss attributable to the owners of the Company during the period</b>			
— basic (HK cents)	5	<b>(0.19)</b>	(0.15)
— diluted (HK cents)	5	<b>(0.19)</b>	(0.15)

## Condensed Consolidated Statements of Changes in Equity

For the three months ended 31 March 2012

	Attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Special reserve	Translation reserve	Shares to be issued	Share options reserve	Share-based compensation reserve	Accumulated losses	Total			
	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	—	—	—	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	

	Attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Special reserve	Translation reserve	Warrants reserve	Share-based compensation reserve	Accumulated losses	Total				
	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	—	—	—	18	—	—	(7,877)	(7,859)	(477)	(8,336)		
Balance as at 31 March 2012	40,290	1,028,819	4,779	9,589	223	23,255	(977,812)	129,143	(4,035)	125,108		

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 May 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 31 March	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Income from provision of stock information and research services	835	718
Income from provision of a trading platform	38	40
Commission income from securities and futures brokerage	1,006	3,172
Interest income from clients	149	182
Net fair value gains on securities trading	369	811
Rental income from investment property	269	—
Income from provision of wealth management services	69	82
	<b>2,735</b>	5,005

### 4. 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.



## 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 2012 of approximately HK\$7,877,000 (2011: loss of approximately HK\$5,879,000) by the weighted average number of 4,028,964,120 (2011: 3,828,964,120) ordinary shares in issue during the period.

### Diluted

The computation of diluted loss per share for the periods ended 31 March 2011 and 2012 did not assume the exercise of the Company's share options outstanding during the periods ended 31 March 2011 and 2012 since their exercise would result in a decrease in loss per share.

## 6. 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 31 March 2012	<b>4,028,964</b>	<b>40,290</b>	<b>1,028,819</b>	<b>1,069,109</b>

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.

## 7. Dividend

The Directors do not recommend the payment of a dividend for the period ended 31 March 2012 (2011: Nil).



## **Business Review**

During the first quarter of 2012, the Group was incurring a loss for the quarter under review. The turnover for the three months ended 31 March 2012 amounted to approximately HK\$2.74 million. The revenue to the Group mainly came from stock information and research services, provision of a trading platform, commission income from securities and futures brokerage, interest income from clients, net fair value gains on securities trading, rental income from an investment property and provision of wealth management services.

During the period under review the Group has refreshed its general mandate authorizing the Directors to issue, allot and deal with up to 20% of the total issued share capital on 17 February 2012, the date of an extraordinary general meeting with approval by the independent shareholders.

## **Financial Review**

The Group recorded an unaudited turnover of approximately HK\$2.74 million for the three months ended 31 March 2012, compared with that of approximately HK\$5.0 million for the corresponding period in 2011. The decrease in turnover was primarily caused by fall in commission income from securities and futures brokerage and net fair gains on securities trading. Although the financial market is very competitive, with the new stream of income in an investment property and improvement in provision of stock information and research services, it lowers the adverse impact that the above drop in income has brought about.

For the three months ended 31 March 2012, loss attributable to owners of the Company was approximately HK\$7.88 million, compared with a loss of approximately HK\$5.88 million for the corresponding period last year. The loss per share for the reporting quarter under review was 0.19 HK cents compared with 0.15 HK cents for the same period last year.

## **Outlook**

In view of the recent attack launched against the Hong Kong Exchange and Clearings Limited's websites and successful infiltration of the Chinese Gold and Silver Exchange Society and its members' websites by hackers, we consider that the potential business opportunities for the e-safety industry are evidently enormous.



As many enterprises have established their own websites for business operations purposes, such enterprises have become increasingly vulnerable to additional risks, including but not limited to fake purchases, fraudulent websites, data theft and intruder attacks. Having considered the business potential in the e-safety industry, the Group had conducted a business feasibility study in relation to the e-safety business after the hacking incidents of the Hong Kong Exchange's website in August 2011.

With our extensive experience and knowhow in software development and sales of the "Stock e Expert" as a solid foundation, the Group had begun restructuring its resources and setting up a specialized team in the PRC to explore and develop the business opportunities in the e-safety industry during the period under review. Marketing and business development of the e-safety business have commenced.

Save for the above, as mentioned in our annual report for the financial year ended 31 December 2011, we will continue to make progress in any new business opportunity as well as to optimize our existing business in order to maximize the value of the Group and its shareholders. On materializing these two combined effects, together with solid experience of our existing management and quality staff, the prospect of the Group in the medium-run is optimistically promising.

## Directors' Report

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

As at 31 March 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

##### (i) Share option scheme of the Company

The share option scheme adopted by the Company on 17 December 2001 (the "Share Option Scheme") has expired on 16 December 2011. As at the date of this report, no new share option scheme has been adopted by the Company.

Upon the expiry of the Share Option Scheme, no further share options have been granted thereunder, but the provisions of the Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of the share options (to the extent not already exercised) granted prior to the said expiry and will continue to be valid and exercisable in accordance with the Share Option Scheme.

Details of the principal terms of the Share Option Scheme were set out in appendix V to the Company's prospectus dated 8 January 2002.

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 31 March 2012:

Name of Director	Date of grant	Number of share options				Outstanding as at 31 March 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 Benzheng	13/04/2010	2,124,105	—	—	—	2,124,105	13/04/2010–12/04/2020	0.419

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



(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 2)	—	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 31 March 2012, 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%
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	Beneficial owners	11,682,577 (note 3)	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 31 March 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 of the Company” above) who had an interest or short position in the shares or underlying shares of the Company and was required to be recorded in the register required to be kept under Section 336 of the SFO and/or was directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

## **Details of the Share Options Granted by the Company**

### **(a) *Share Option Scheme of the Company***

The Company had adopted a share option scheme under which persons working for the interest of the Group were entitled to an opportunity to obtain equity interest in the Company (the “Share Option Scheme”). The Share Option Scheme has been valid and effective for a period of 10 years from 17 December 2001. After such period, no further options will be granted thereunder. With effect from 16 December 2011, the Share Option Scheme has expired and become invalid. According to Clause 4.1 of the Share Option Scheme, in respect of all options which remain exercisable at the end of such period, the provisions of the Share Option Scheme shall remain in full force and effect.

The maximum number of shares issued and to be issued upon exercise of options granted pursuant to the Share Option Scheme and any other share option 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 subscriber for 32,400,000 shares and 84,000,000 shares of the Company respectively were granted to the Directors and certain employees of the Company



As at 31 March 2012, details of the outstanding share options were as follows:

Date of grant	Number of share options						Option period	Exercise price (HK\$)
	Outstanding as at	Granted	Exercised	Cancelled/ lapsed	Outstanding as at			
	1 January 2012	during the period	during the period	during the period	31 March 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	

### Directors' Interest in Competing Business

As at 31 March 2012, the Directors were not aware of any business or interest of each Director, management shareholder (as defined in the GEM Listing Rules) and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

### Directors' Securities Transaction

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors of the Company confirmed that they have complied with the required standard dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the period under review.

### Compliance with Code on Corporate Governance Practice

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



## **Audit Committee**

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

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

The Audit Committee has reviewed the financial statements of the Group for the three months ended 31 March 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.

## **Board Practices and Procedures**

Save as disclosed above, throughout the three months ended 31 March 2012, the Company has complied with Rules 5.34 of the GEM Listing Rules concerning board practices and procedures.

## **Purchase, Redemption or Sale of Listed Securities**

During the three months ended 31 March 2012, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

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

Hong Kong, 10 May 2012

*As at 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.*