

Third
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 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\$7,511,000 for the nine months ended 30 September 2012.

Loss for the nine months ended 30 September 2012 was approximately HK\$21,727,000.

Loss attributable to owners of the Company for the nine months ended 30 September 2012 amounted to approximately HK\$21,205,000.

Both basic and diluted loss per share were 0.53 HK cents.

The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2012.

Third 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 30 September 2012 together with the comparative unaudited figures for the corresponding period in 2011.

Condensed Consolidated Statement of Comprehensive Income

	Note	Three months ended 30 September		Nine months ended 30 September	
		2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Revenue	3	2,532	1,347	7,511	11,209
Cost of sales		(256)	—	(522)	—
Gross profits		2,276	1,347	6,989	11,209
Other income		73	342	276	4,858
Employee benefits expenses		(3,275)	(3,776)	(10,127)	(12,749)
Depreciation of property, plant and equipment		(1,165)	(1,225)	(3,550)	(4,542)
Amortization of intangible assets		(25)	—	(42)	—
Finance costs		(239)	(246)	(729)	(656)
Loss on disposal of property, plant and equipment		—	—	—	(10)
Other operating expenses		(3,476)	(6,263)	(14,245)	(22,356)
Share of losses of associates		(85)	(10)	(299)	(26)
Loss before income tax		(5,916)	(9,831)	(21,727)	(24,272)
Income tax expense	4	—	(2)	—	(321)
Loss for the period		(5,916)	(9,833)	(21,727)	(24,593)
Other comprehensive income					
Currency translation differences		525	1,265	2	3,145
Other comprehensive income for the period, net of tax		525	1,265	2	3,145



	Note	Three months ended 30 September		Nine months ended 30 September	
		2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Total comprehensive loss for the period		(5,391)	(8,568)	(21,725)	(21,448)
Loss for the period attributable to:					
Owners of the Company		(6,005)	(9,472)	(21,205)	(23,441)
Non-controlling interests		89	(361)	(522)	(1,152)
		(5,916)	(9,833)	(21,727)	(24,593)
Total comprehensive loss attributable to:					
Owners of the Company		(5,436)	(8,184)	(21,199)	(20,251)
Non-controlling interests		45	(384)	(526)	(1,197)
		(5,391)	(8,568)	(21,725)	(21,448)
Loss per share for loss attributable to owners of Company during the period					
— basic (HK cents)	5	(0.15)	(0.24)	(0.53)	(0.60)
— diluted (HK cents)	5	(0.15)	(0.24)	(0.53)	(0.60)

Condensed Consolidated Statements of Changes in Equity

For the nine months ended 30 September 2012

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Shares to be issued HK\$'000	Share options reserve HK\$'000	Share-based compensation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity 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	—	—	—	3,100	—	—	—	(23,441)	(20,341)	(1,152)	(21,493)
Capital contributions from non-controlling interests	—	—	—	—	—	—	—	—	—	277	277
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 September 2011	40,290	1,028,819	4,779	11,937	—	—	23,342	(960,161)	149,006	2,015	151,021

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Warrants reserve HK\$'000	Share-based compensation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity 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	—	—	—	6	—	—	(21,205)	(21,199)	(526)	(21,725)	
Balance as at 30 September 2012	40,290	1,028,819	4,779	9,577	223	23,255	(991,140)	115,803	(4,084)	111,719	



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 9 November 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 September		Nine months ended 30 September	
	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	1,365	1,285	3,598	5,353
Income from provision of a trading platform	39	41	118	122
Commission income from securities and futures brokerage	828	613	2,445	5,205
Interest income from clients	139	204	398	731
Net fair value (losses)/gains on securities trading	(123)	(886)	34	(487)
Rental income from investment property	269	—	806	—
Income from provision of wealth management services	15	90	112	285
	2,532	1,347	7,511	11,209

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 30 September 2012 of approximately HK\$21,205,000 (2011: approximately HK\$23,441,000) by the weighted average number of 4,028,964,120 (2011: 3,930,795,622) ordinary shares in issue during the period.

Diluted

The computation of diluted loss per share for the periods ended 30 September 2011 and 2012 did not assume the exercise of the Company's share options outstanding during the periods ended 30 September 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 30 September 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.

7. DIVIDEND

The Directors do not recommend the payment of a dividend for the period ended 30 September 2012 (2011: Nil).



BUSINESS REVIEW

The Group in the first nine months of the year 2012 recorded a turnover of HK\$7.51 million, which was a decrease of approximately 33% compared with the last corresponding period. This was mainly due to bearish stock market sentiment in China, income from provision of stock information and research services from Shenzhen operation of the Group were reduced approximately 33% compared with the same period last year. In addition, the revenue of commission income from securities and futures brokerage decreased approximately 53% compared with the last corresponding period because of slight transactions on Hong Kong stock market.

Although the stock markets were not active, our Group made properties investment in the fourth quarter of year 2010. One of the properties was let out and we had HK\$0.80 million rental income in the current period under review.

FINANCIAL REVIEW

The Group recorded an unaudited turnover of approximately HK\$7.51 million for the nine months ended 30 September 2012 compared with that of approximately HK\$11.21 million for the corresponding period in 2011. The decrease of turnover was mainly attributable to the global economic conditions continued to deteriorate, resulting the reduction of income from provision of stock information and research services from Mainland China operation and reduction of commission income from securities and futures brokerage from Hong Kong operation. For the nine months ended 30 September 2012, income from provision of stock information and research services approximately HK\$3.60 million, which decreased around 33% compared with approximately HK\$5.35 million of the same period last year. For the nine months ended while, commission income from securities and futures brokerage approximately HK\$2.45 million which decreased around 53% compared with approximately HK\$5.21 million of the same period last year.

For the nine months ended 30 September 2012, the Group tightened its cost control, total operating expenses dropped approximately 28% as compared with the corresponding period last year. Loss attributable to owners of the Company was approximately HK\$21.21 million under review, compared with a loss of approximately HK\$23.44 million for the corresponding period last year. In summary, the loss per share for the reporting period was approximately 0.53 HK cents while the loss per share was approximately 0.60 HK cents for the same period last year.



OUTLOOK

In addition to our core businesses in stock information and research services, stock brokerage business and margin financing, the Group shall try to identify and develop new opportunities to increase our turnover and maintain competitiveness in the industry, and to enhance the profitability and the shareholders' value of the Group.

Since there is continuous inflow of hot money in Hong Kong recently, stillly stock market became upward again. It is expected to drive up Hong Kong stock market, the Group is optimistic about the prospects for the future.

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

As at 30 September 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 Directors	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 September 2012:

Name of Directors	Date of grant	Number of share options				Outstanding as at 30 September 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 Interest	Corporate Interest	

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 September 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 (<i>Note 1</i>)	Beneficial owners	595,328,957	14.78%
Wang Jia Wei (<i>Note 2</i>)	Beneficial owner	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 (<i>Note 3</i>)	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 September 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 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 September 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 September 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 nine months period ended 30 September 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, 9 November 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.