



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

FIRST QUARTERLY REPORT 2013

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\$1,349,000 for the three months ended 31 March 2013.

Loss for the three months ended 31 March 2013 was approximately HK\$7,259,000.

Loss attributable to owners of the Company for the three months ended 31 March 2013 amounted to approximately HK\$7,259,000.

Both basic and diluted loss per share were 0.18 HK cents.

The Directors do not recommend the payment of a dividend for the three months ended 31 March 2013.

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 2013 together with the comparative unaudited figures for the corresponding period in 2012.

Condensed Consolidated Statement of Comprehensive Income

	Note	Three months ended	
		31 March	
		2013	2012
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	1,349	2,735
Cost of sales		—	(45)
Gross profit		1,349	2,690
Other income		70	127
Employee benefits expenses		(3,644)	(3,493)
Depreciation of property, plant and equipment		(1,077)	(1,200)
Amortization of intangible assets		(622)	—
Finance costs		(218)	(246)
Other operating expenses		(3,117)	(6,108)
Share of losses of associates		—	(124)
Loss before income tax		(7,259)	(8,354)
Income tax expense	4	—	—
Loss for the period		(7,259)	(8,354)
Other comprehensive income			
Currency translation differences		231	18
Other comprehensive income for the period, net of tax		231	18
Total comprehensive income for the period		(7,028)	(8,336)

		Three months ended 31 March	
		2013	2012
		HK\$'000	HK\$'000
Note		(unaudited)	(unaudited)
Loss for the period attributable to:			
	Owners of the Company	(7,259)	(7,877)
	Non-controlling interests	—	(477)
		(7,259)	(8,354)
Total comprehensive income attributable to:			
	Owners of the Company	(7,028)	(7,859)
	Non-controlling interests	—	(477)
		(7,028)	(8,336)
Loss per share for loss attributable to the owners of the Company during the period			
	— basic (HK cents)	(0.18)	(0.19)
	— diluted (HK cents)	(0.18)	(0.19)

Condensed Consolidated Statements of Changes in Equity

For the three months ended 31 March 2013

	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 income 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

	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 2013	40,290	1,028,819	4,779	9,730	223	23,255	(1,008,954)	98,142	—	98,142
Total comprehensive income for the period	—	—	—	231	—	—	(7,259)	(7,028)	—	(7,028)
Balance as at 31 March 2013	40,290	1,028,819	4,779	9,961	223	23,255	(1,016,213)	91,114	—	91,114



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 services in the People’s Republic of China (the “PRC”), provision of securities and futures trading services, corporate finance services and wealth management services in Hong Kong and trading and principal investments.

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 Renminbi (“RMB”). The Company has selected Hong Kong dollar as its presentation currency as management considered it is more beneficial to the users of the unaudited condensed consolidated financial statements. These unaudited condensed consolidated financial statements have been approved and authorized for issue by the board of directors on 9 May 2013.

2. Basis of Preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards. They have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

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 principal accounting policies applied in the preparation of these unaudited condensed consolidated financial statements were consistent with those applied for the financial statements of the Group for the year ended 31 December 2012.

3. Revenue

	Three months ended 31 March	
	2013	2012
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Income from provision of stock information and research services	75	835
Income from provision of a trading platform	40	38
Commission income from securities and futures brokerage	684	1,006
Interest income from clients	71	149
Net fair value gains on securities trading	—	369
Income from provision of wealth management services	31	69
Rental income from investment property	448	269
	1,349	2,735

4. Income Tax Expense

Hong Kong Profits Tax is calculated at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the period. Taxation on overseas profits is calculated on the estimated assessable profits 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 2013 of approximately HK\$7,259,000 (2012: HK\$7,877,000) by the weighted average number of 4,028,964,120 (2012: 4,028,964,120) ordinary shares in issue during the period.

Diluted

The computation of diluted loss per share for the periods ended 31 March 2012 and 2013 did not assume the exercise of the Company's share options and warrants outstanding during the periods ended 31 March 2012 and 2013 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 2013 and 31 March 2013	4,028,964	40,290	1,028,819	1,069,109

The total authorized number of ordinary share is 10,000,000,000 shares (2012: 10,000,000,000 shares) with a par value of HK\$0.01 per share (2012: HK\$0.01 per share). All issued shares are fully paid.

7. Dividend

The Directors do not recommend the payment of a dividend for the period ended 31 March 2013 (2012 : Nil).



Business Review

During the first quarter of 2013, 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 2013 amounted to approximately HK\$1.35 million. The revenue to the Group mainly came from Hong Kong operation.

As the real estate market in Hong Kong remains buoyant recently and the investment property of our Group has been appreciated significantly, the Board holds the view that the Disposal of the Property on favorable market conditions can realize capital gain and enhance the working capital of the Group, which is in the best interests of the Company and its Shareholders. In February 2013, the consideration of the investment property was HK\$56 million. The Group recorded a gain on disposal of approximately HK\$13.2 million after deducting an estimated cost of property and other related costs and expenses.

Financial Review

The Group recorded an unaudited turnover of approximately HK\$1.35 million for the three months ended 31 March 2013, compared with that of approximately HK\$2.74 million for the corresponding period in 2012. The decrease in turnover was primarily caused by fall in income from provision of stock information and research services, commission income from securities and futures brokerage and net fair gains on securities trading. Although the financial market is very competitive, the income in an investment property lowers the adverse impact that the above drop in income has brought about.

For the three months ended 31 March 2013, loss attributable to owners of the Company was approximately HK\$7.26 million, compared with a loss of approximately HK\$7.88 million for the corresponding period last year. The loss per share for the reporting quarter under review was 0.18 HK cents compared with 0.19 HK cents for the same period last year.

Outlook

Since our Group has extra working capital from disposal of the investment property, it may provide more funding for our margin financing and securities dealing business.

In order to further increase the revenue of the Group and seeking new business opportunities, the Group will continue to develop investment opportunities to enhance the profitability and the shareholders' value of the Group.

The global economy remained unstable due to the threat of sluggish economic recovery in the United States and Euro-zone debt crises. Uncertainties are undermining investors' confidence in the local market. The Group will continue to closely monitor the market situation.

Directors' Report

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

As at 31 March 2013, 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			Total	Approximate percentage of shareholding
	Personal Interests	Family Interests	Corporate Interests		
Wang Wenming (Note 1)	450,212,307	145,116,650	—	595,328,957	14.78%
Lee Yiu Sun	110,060,000	—	—	110,060,000	2.73%
Wang Jiawei (Note 2)	202,043,628	—	—	202,043,628	5.01%
Song Binyang (Note 2)	—	202,043,628	—	202,043,628	5.01%
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.
- (2) Mr. Wang Jiawei held 202,043,628 shares of the Company. Ms. Song Binyang, the spouse of Mr. Wang Jiawei, was deemed to be interested in 202,043,628 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 31 March 2013:

Name of Director	Date of grant	Number of share options					Exercise price (HK\$)	
		Outstanding as at 1 January 2013	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding as at 31 March 2013		
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

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 period.

(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 31 March 2013, the following persons (not being a Director of the Company) had interests in the shares or underlying shares which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO:

(a) Long positions in shares of the Company

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

Note:

- (1) Ms. Chen Dongjin held 145,116,650 shares of the Company. Ms. Chen Dongjin is the spouse of a director of the Company, Mr. Wang Wenming, who held 450,212,307 shares of the Company. As such, they were deemed to be collectively interested in 595,328,957 shares of the Company.

(b) Long positions in underlying shares of the Company

Name of shareholders	Capacity	Number of shares	Approximate percentage of shareholding
Wang Wenming and Chen Dongjin (Note 2)	Beneficial owners	11,682,577	0.29%

Note:

- (2) Pursuant to the Share Option Scheme, Mr. Wang Wenming was granted on 13 April 2010 share options, the number of shares underlying which was adjusted on 15 June 2010, to subscribe for 11,682,577 shares of the Company. Ms. Chen Dongjin is the spouse of Mr. Wang Wenming so they were deemed to be collectively interested in the share options to subscribe for 11,682,577 shares of the Company.

Save as disclosed above, as at 31 March 2013, 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

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 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 2013, details of the outstanding share options were as follows:

Date of grant	Number of share options					Option period	Exercise price (HK\$)
	Outstanding as at 1 January 2013	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding as at 31 March 2013		
	13/04/2010	86,026,253	—	—	—		
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 2013, 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 Corporate Governance 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 2013 pursuant to the relevant provisions contained in the Corporate Governance Code 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 2013, 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 period, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

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

Hong Kong, 9 May 2013

As at the date of this report, the executive Directors are Mr. Wang Wenming, Mr. Lee Yiu Sun, Mr. Wang Jiawei and Ms. Song Binyang, the non-executive Director is Mr. Liu Runtong and the independent non-executive Directors are Professor Zhang Benzheng, Mr. Tony I Tong, Mr. Li Jianxing and Mr. Chen Shu Wen.