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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

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 announcement, 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 announcement.

This announcement, 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 announcement 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 announcement misleading; and (iii) all opinions expressed in this announcement 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$12,686,000 for the year ended 31 December 2011.

Loss for the year ended 31 December 2011 was approximately HK$39,430,000.

Loss attributable to owners of the Company for the year ended 31 December 2011 amounted to approximately HK$37,856,000.

Both basic and diluted loss per share were approximately 0.96 HK cents.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2011.

FINAL RESULTS

The board of Directors of the Company (the "Board") announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011 together with the comparative audited figures for the corresponding year in 2010.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2011

	Note	**2011** *HK$*	2010 *HK$*
Revenue	*3*	**12,686,091**	48,989,233
Cost of sales		**(178,266)**	—
Gross profits		**12,507,825**	48,989,233
Other gains	*5*	**5,606,030**	2,161,965
Other income	*6*	**3,397,087**	2,181,908
Employee benefits expenses		**(16,823,214)**	(55,193,170)
Depreciation of property, plant and equipment		**(5,208,717)**	(4,702,051)
Amortization of intangible assets		—	(4,800,905)
Impairment of goodwill		—	(53,811,784)
Impairment of other intangible assets		—	(131,026,047)
Impairment of trade receivables		—	(120,049)
Impairment of other receivables		**(4,714,937)**	(1,537,454)
Finance costs		**(895,398)**	(685,937)
Other operating expenses		**(28,350,355)**	(51,658,982)
Share of losses of associates		**(245,543)**	(364,161)
Loss before income tax	*7*	**(34,727,222)**	(250,567,434)
Income tax (expense)/credit	*8*	**(4,702,505)**	31,927,626
Loss for the year		**(39,429,727)**	(218,639,808)
Other comprehensive income			
Currency translation differences:			
— Group		**656,093**	4,594,992
— Associates		**22,733**	32,086
Release of translation reserve upon disposal of a subsidiary		**(54,684)**	(258)
Other comprehensive income for the year, net of tax		**624,142**	4,626,820
Total comprehensive loss for the year		**(38,805,585)**	(214,012,988)
Loss for the year attributable to:			
Owners of the Company		**(37,855,857)**	(215,332,026)
Non-controlling interests		**(1,573,870)**	(3,307,782)
		(39,429,727)	(218,639,808)
Total comprehensive loss attributable to:			
Owners of the Company		**(37,121,361)**	(210,646,237)
Non-controlling interests		**(1,684,224)**	(3,366,751)
		(38,805,585)	(214,012,988)
Loss per share for loss attributable to owners of the Company during the year			
— basic	*9*	**(0.96 HK cents)**	(6.12 HK cents)
— diluted	*9*	**(0.96 HK cents)**	(6.12 HK cents)

Consolidated Statements of Financial Position

As at 31 December 2011

	Note	2011 HK$	2010 HK$
Non-current assets			
Property, plant and equipment		**48,637,574**	12,513,884
Investment property		**42,100,000**	—
Intangible assets		**84,809**	81,373
Statutory deposits and other assets		**575,000**	575,000
Investments in associates		**1,676,076**	669,056
		93,073,459	13,839,313
Current assets			
Inventories		**140,514**	41,289
Held-for-trading investments		**2,110,359**	3,217,558
Current income tax recoverable		**2,294,840**	2,201,858
Trade receivables	*10*	**4,514,554**	6,186,956
Prepayments, deposits and other receivables		**30,849,404**	55,886,187
Amounts due from associates		**15,966,214**	2,501,961
Bank balances and cash		**46,302,258**	131,892,718
		102,178,143	201,928,527
Total assets		**195,251,602**	215,767,840
Current liabilities			
Trade payables	*11*	**9,087,097**	29,394,041
Other payables and accruals		**12,088,238**	14,136,997
Amount due to an associate		**287**	—
Borrowings	*12*	**36,252,047**	—
		57,427,669	43,531,038
Net current assets		**44,750,474**	158,397,489
Total assets less current liabilities		**137,823,933**	172,236,802
Non-current liabilities			
Deferred income tax liabilities		**4,379,334**	—
		4,379,334	—
Net assets		**133,444,599**	172,236,802

	2011	2010
	HK$	*HK$*
Capital and reserves		
Share capital	**40,289,642**	38,289,642
Share premium	**1,028,819,484**	862,819,484
Special reserve	**4,778,740**	4,778,740
Translation reserve	**9,571,023**	8,836,527
Shares to be issued	**—**	168,000,000
Share options reserve	**—**	14,460,609
Warrants reserve	**223,224**	—
Share-based compensation reserve	**23,254,749**	24,177,746
Accumulated losses	**(969,934,533)**	(952,015,652)
Equity attributable to owners of the Company	**137,002,329**	169,347,096
Non-controlling interests	**(3,557,730)**	2,889,706
Total equity	**133,444,599**	172,236,802

Consolidated Statements of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company										
	Share capital *HK$*	Share premium *HK$*	Special reserve *HK$*	Translation reserve *HK$*	Shares to be issued *HK$*	Share options reserve *HK$*	Share-based compensation reserve *HK$*	Accumulated losses *HK$*	Total *HK$*	Non-controlling interests *HK$*	Total equity *HK$*
Balance as at 1 January 2010	29,541,232	495,488,494	4,778,740	4,150,738	336,000,000	28,921,218	795,173	(737,448,308)	162,227,287	664,922	162,892,209
Total comprehensive loss for the year	—	—	—	4,685,789	—	—	—	(215,332,026)	(210,646,237)	(3,366,751)	(214,012,988)
Capital contributions from non-controlling interests	—	—	—	—	—	—	—	—	—	5,088,160	5,088,160
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	(45,018)	(45,018)
Disposal of partial equity interest in a subsidiary that do not result in loss of control	—	—	—	—	—	—	—	764,682	764,682	395,294	1,159,976
Issue of shares upon exercise of Option in respect of acquisition of subsidiaries	200,000	2,800,000	—	—	—	—	—	—	3,000,000	—	3,000,000
Transfer upon exercise of Option in respect of acquisition of subsidiaries	—	14,460,609	—	—	—	(14,460,609)	—	—	—	—	—
Issue of Consideration Shares	2,000,000	166,000,000	—	—	(168,000,000)	—	—	—	—	—	—
Issue of Bonus Shares	74,783	6,206,960	—	—	—	—	—	—	6,281,743	—	6,281,743
Issue of new shares by way of Open Offer	6,381,607	178,684,992	—	—	—	—	—	—	185,066,599	—	185,066,599
Transaction costs attributable to issue of new shares	—	(2,424,551)	—	—	—	—	—	—	(2,424,551)	—	(2,424,551)
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	153,099	153,099
Share option scheme											
— issue of shares under the share option scheme	—	—	—	—	—	—	23,382,573	—	23,382,573	—	23,382,573
Issue of new shares for acquisition of intangible asset	92,020	1,602,980	—	—	—	—	—	—	1,695,000	—	1,695,000
Balance as at 31 December 2010	38,289,642	862,819,484	4,778,740	8,836,527	168,000,000	14,460,609	24,177,746	(952,015,652)	169,347,096	2,889,706	172,236,802

	Attributable to the owners of the Company											
	Share capital *HK$*	**Share premium** *HK$*	**Special reserve** *HK$*	**Translation reserve** *HK$*	**Shares to be issued** *HK$*	**Share options reserve** *HK$*	**Warrants reserve** *HK$*	**Share-based compensation reserve** *HK$*	**Accumulated losses** *HK$*	**Total** *HK$*	**Non-controlling interests** *HK$*	**Total equity** *HK$*
Balance as at 31 December 2010 and 1 January 2011	**38,289,642**	**862,819,484**	**4,778,740**	**8,836,527**	**168,000,000**	**14,460,609**	—	**24,177,746**	**(952,015,652)**	**169,347,096**	**2,889,706**	**172,236,802**
Total comprehensive loss for the year	—	—	—	**734,496**	—	—	—	—	**(37,855,857)**	**(37,121,361)**	**(1,684,224)**	**(38,805,585)**
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	**(209,842)**	**(209,842)**
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	**4,553,370**	**4,553,370**	**(4,553,370)**	—
Option in respect of acquisition of subsidiaries lapsed	—	—	—	—	—	**(14,460,609)**	—	—	**14,460,609**	—	—	—
Issue of Consideration Shares	**2,000,000**	**166,000,000**	—	—	**(168,000,000)**	—	—	—	—	—	—	—
Issue of warrants	—	—	—	—	—	—	**223,224**	—	—	**223,224**	—	**223,224**
Share option scheme												
— vested share options lapsed	—	—	—	—	—	—	—	**(922,997)**	**922,997**	—	—	—
Balance as at 31 December 2011	**40,289,642**	**1,028,819,484**	**4,778,740**	**9,571,023**	—	—	**223,224**	**23,254,749**	**(969,934,533)**	**137,002,329**	**(3,557,730)**	**133,444,599**

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 Peoples's Republic of China (the "PRC"), provision of securities 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 registered office is situated at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KYI-1111, Cayman Islands. The Company's principal place of business is situated at 16th Floor, The Chinese Manufacturers' Association of Hong Kong Building, No.64-66 Connaught Road Central, Hong Kong.

The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in Hong Kong dollars, 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 consolidated financial statements. These consolidated financial statements were approved and authorized for issue by the board of directors on 23 March 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). 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.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011 that would be expected to have a material impact on the Group.

HKAS 24 (revised), "Related party disclosures" – effective from 1 January 2011.

HK (IFRIC) – Int 19, "Extinguishing financial liabilities with equity instruments" – effective from 1 January 2011.

Except for the adoption of HKAS 24 (revised) and HK (IFRIC) – Int 19, the adoption of other new and amended standards and interpretations does not have material impact on these consolidated financial statements and does not result in substantial changes to the Group's accounting policies.

(b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2011 and have been early adopted by the Group:

In December 2010, the HKICPA amended HKAS 12, "Income taxes", to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount to asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sales. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted. The Group has early adopted this amendment retrospectively for the financial year ended 31 December 2011.

(c) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted by the Group:

- HKFRS 7 (Amendments), "Disclosures – Transfers of financial assets" (effective for the Group for annual periods beginning on or after 1 January 2012).
- HKFRS 7, "Disclosures – offsetting financial assets and financial liabilities" (effective for the Group for annual periods beginning on or after 1 January 2012).
- HKFRS 9, "Financial instruments" (effective for the Group for annual periods beginning on or after 1 January 2015).
- HKFRS 9 & HKFRS 7, "Mandatory effective date of HKFRS 9 and Transition Disclosure" (effective for the Group for annual periods beginning on or after 1 January 2015).
- HKFRS 10, "Consolidated financial statements" (effective for the Group for annual periods beginning on or after 1 January 2013).
- HKFRS 11, "Joint arrangements" (effective for the Group for annual periods beginning on or after 1 January 2013).
- HKFRS 12, "Disclosure of interests in other entities" (effective for the Group for annual periods beginning on or after 1 January 2013).
- HKFRS 13, "Fair value measurement" (effective for the Group for annual periods beginning on or after 1 January 2013).
- HKAS 1 (Amendment), "Presentation of items of other comprehensive income" (effective for the Group for annual periods beginning on or after 1 January 2012).
- HKAS 19 (2011), "Employee benefits" (effective for the Group for annual periods beginning on or after 1 January 2013).
- HKAS 27 (2011), "Separate financial statements" (effective for the Group for annual periods beginning on or after 1 January 2013).
- HKAS 28 (2011), "Investments in associates and joint ventures" (effective for the Group for annual periods beginning on or after 1 January 2013).
- HKAS 32, "Offsetting financial assets & financial liabilities" (effective for the Group for annual periods beginning on or after 1 January 2014).
- HK(IFRIC) – Int 20, "Stripping Costs in the production phase of a surface mine" (effective for the Group for annual periods beginning on or after 1 January 2013).

The adoption of the above standards, amendments and interpretations to existing standards in future periods is not expected to result in substantial changes to the Group's accounting policies.

In addition, HKICPA also published a number of amendments to the existing standards under its annual improvement projects. These amendments are not expected to have a significant financial impact on the results and financial position of the Group.

(d) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units ("CGU") have been determined based on value-in-use calculations. These calculations require the use of estimates.

(e) Estimated impairment of intangible assets other than goodwill

The Group periodically reviews internal or external resources to identify indications that the intangible assets other than goodwill have suffered any impairment in accordance with accounting policy. If the recoverable amount of an intangible asset is estimated to be less than its carrying amount, the carrying amount of the intangible asset is reduced to its receivable amount. The assessment of the recoverable amount requires the use of estimates and assumptions.

(f) Estimated impairment of trade and other receivables

The Group's management determines the impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment of trade and other receivables at the end of the reporting period.

(g) Estimated useful lives and impairment of property, plant and equipment

The Group has significant property, plant and equipment. The Group is required to estimate the useful lives of property, plant and equipment in order to ascertain the amount of depreciation charges for each reporting period.

The useful lives are estimated at the time of purchase of these assets after considering business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including declines in projected operating results, negative industry and economic trends. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

(h) Estimated fair value of investment property

The investment property of the Group was stated at fair value in accordance with the accounting policy. The fair value of the investment property is determined by Roma Appraisal Limited, an independent qualified professional valuer. The valuation was based on certain assumptions, which is subject to uncertainty and might materially differ from the actual results.

In making the judgment, consideration has been given to assumptions that are mainly based on market conditions existing at the end of the reporting period and appropriate capitalization rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

(i) Income taxes

The Group is subject to income taxes in certain jurisdictions other than Hong Kong. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination are made.

3. REVENUE

	2011	2010
	HK$	*HK$*
Income from provision of a trading platform	**161,748**	164,767
Commission income from securities and futures brokerage	**6,123,444**	13,877,575
Interest income from clients	**827,951**	315,399
Net fair value (losses)/gains on securities trading	**(1,261,117)**	2,258,847
Income from provision of wealth management services	**322,766**	1,506,954
Rental income from investment property	**985,600**	—
Income from provision of stock information and research services	**5,525,699**	30,865,691
	12,686,091	48,989,233

4. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors (the "Executive Directors") of the Company. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Executive Directors consider the Group has seven reportable segments: (1) provision of a trading platform; (2) provision of brokerage and securities margin financing services; (3) provision of corporate finance services; (4) trading and principal investments; (5) provision of wealth management services; (6) property investments; and (7) provision of stock information and research services.

The segment information of the reportable segments for the year ended 31 December 2011 is as follows:

	Provision of a trading platform	**Brokerage and securities margin financing services**	**Corporate finance services**	**Trading and principal investments**	**Wealth management services**	**Property investments**	**Stock information and research services**	**Total**
	HK$	***HK$***	***HK$***	***HK$***	***HK$***	***HK$***	***HK$***	***HK$***
Segment revenue from external customers	**161,748**	**6,951,395**	**—**	**(1,261,117)**	**322,766**	**985,600**	**5,525,699**	**12,686,091**
Segment results	**9,998**	**(3,450,675)**	**(300)**	**(2,533,602)**	**(177,932)**	**1,325,435**	**(18,548,353)**	**(23,375,429)**
Net unallocated expenses								**(10,320,126)**
Finance costs								**(895,398)**
Interest income								**109,274**
Share of losses of associates							**(245,543)**	**(245,543)**
Loss before income tax								**(34,727,222)**
Income tax expense								**(4,702,505)**
Loss for the year								**(39,429,727)**

The segment information of the reportable segments for the year ended 31 December 2010 is as follows:

	Provision of a trading platform *HK$*	Brokerage and securities margin financing services *HK$*	Corporate finance services *HK$*	Trading and principal investments *HK$*	Wealth management services *HK$*	Stock information and research services *HK$*	Total *HK$*
Segment revenue from external customers	164,767	14,192,974	—	2,258,847	1,506,954	30,865,691	48,989,233
Segment results	13,127	(2,239,447)	(5,240)	777,631	(249,943)	(154,794,229)	(156,498,101)
Net unallocated expenses							(39,430,613)
Finance costs							(685,937)
Interest income							223,162
Impairment of goodwill						(53,811,784)	(53,811,784)
Share of losses of associates						(364,161)	(364,161)
Loss before income tax							(250,567,434)
Income tax credit							31,927,626
Loss for the year							(218,639,808)

Other segment information for the year ended 31 December 2011 is as follows:

	Provision of a trading platform ***HK$***	**Brokerage and securities margin financing services** ***HK$***	**Corporate finance services** ***HK$***	**Trading and principal investments** ***HK$***	**Wealth management services** ***HK$***	**Property investments** ***HK$***	**Stock information and research services** ***HK$***	**Unallocated** ***HK$***	**Total** ***HK$***
Depreciation and amortization	**—**	**359,540**	**—**	**244,839**	**5,521**	**—**	**2,177,535**	**2,421,282**	**5,208,717**
Impairment of other receivables	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**4,714,937**	**4,714,937**

Other segment information for the year ended 31 December 2010 is as follows:

	Provision of a trading platform *HK$*	Brokerage and securities margin financing services *HK$*	Corporate finance services *HK$*	Trading and principal investments *HK$*	Wealth management services *HK$*	Stock information and research services *HK$*	Unallocated *HK$*	Total *HK$*
Depreciation and amortization	—	997,522	—	187,663	80,230	7,183,540	1,054,001	9,502,956
Impairment of goodwill	—	—	—	—	—	53,811,784	—	53,811,784
Impairment of intangible assets	—	—	—	—	—	131,026,047	—	131,026,047
Impairment of trade receivables	—	—	—	—	—	120,049	—	120,049
Impairment of other receivables	—	—	—	—	—	1,537,454	—	1,537,454

Segment assets consist primarily of property, plant and equipment, investment property, intangible assets, statutory deposits and other assets, investments in associates, held-for-trading investments, trade and other receivables, and bank balances and cash. Segment liabilities comprise operating liabilities.

The segment assets and liabilities as at 31 December 2011 and capital expenditure for the year then ended are as follows:

	Provision of a trading platform *HK$*	**Brokerage and securities margin financing services** *HK$*	**Corporate finance services** *HK$*	**Trading and principal investments** *HK$*	**Wealth management services** *HK$*	**Property investments** *HK$*	**Stock information and research services** *HK$*	**Unallocated** *HK$*	**Total** *HK$*
Segment assets	**83,018**	**30,633,896**	**113,083**	**3,739,051**	**568,069**	**42,261,718**	**62,434,243**	**53,742,448**	**193,575,526**
Investments in associates	**—**	**—**	**—**	**647,842**	**—**	**—**	**1,028,234**	**—**	**1,676,076**
	83,018	**30,633,896**	**113,083**	**4,386,893**	**568,069**	**42,261,718**	**63,462,477**	**53,742,448**	**195,251,602**
Segment liabilities	**933**	**5,973,676**	**—**	**67,671**	**99,633**	**18,854,831**	**9,785,979**	**27,024,280**	**61,807,003**
Capital expenditure									
Additions of property, plant and equipment	**—**	**27,390**	**—**	**18,620**	**—**	**—**	**115,684**	**41,076,174**	**41,237,868**
Additions of investment property	**—**	**—**	**—**	**—**	**—**	**41,755,500**	**—**	**—**	**41,755,500**

The segment assets and liabilities as at 31 December 2010 and capital expenditure for the year then ended are as follows:

	Provision of a trading platform *HK$*	Brokerage and securities margin financing services *HK$*	Corporate finance services *HK$*	Trading and principal investments *HK$*	Wealth management services *HK$*	Property investments *HK$*	Stock information and research services *HK$*	Unallocated *HK$*	Total *HK$*
Segment assets	73,456	63,688,267	213,383	1,750,318	853,674	—	72,491,601	76,028,085	215,098,784
Investments in associates	—	—	—	—	—	—	669,056	—	669,056
	73,456	63,688,267	213,383	1,750,318	853,674	—	73,160,657	76,028,085	215,767,840
Segment liabilities	1,369	29,888,691	—	—	153,686	—	11,877,369	1,609,923	43,531,038
Capital expenditure									
Additions of property, plant and equipment	—	60,725	—	—	11,564	—	1,863,108	1,752,012	3,687,409
Additions of intangible assets	—	—	—	—	—	—	3,628,967	—	3,628,967

The Group mainly operates in Hong Kong and the PRC.

	2011	2010
	HK$	*HK$*
Revenue		
Hong Kong	**8,351,769**	15,457,869
The PRC	**4,334,322**	33,531,364
	12,686,091	48,989,233

Revenue is allocated based on the country in which the customer is located.

	2011	2010
	HK$	*HK$*
Total assets		
Hong Kong	**128,509,051**	142,010,401
The PRC	**65,066,475**	73,088,383
	193,575,526	215,098,784
Investments in associates	**1,676,076**	669,056
	195,251,602	215,767,840

Total assets are allocated based on where the assets are located.

	2011	2010
	HK$	*HK$*
Capital expenditure		
Hong Kong	**82,859,064**	1,812,737
The PRC	**134,304**	5,503,639
	82,993,368	7,316,376

Capital expenditure is allocated on where the assets are located.

Information about major customers

No customer contributed 10% or more of total revenue during the year ended 31 December 2011 (2010: Nil).

5. OTHER GAINS

	2011	2010
	HK$	*HK$*
Gain on disposal of property, plant and equipment	**258,765**	—
Gain on disposal of subsidiaries	**3,971,794**	2,161,965
Gain arising on change in fair value of investment property	**344,500**	—
Gain on sales of software to an associate	**1,030,971**	—
	5,606,030	2,161,965

6. OTHER INCOME

	2011	2010
	HK$	*HK$*
Advertising service income	**1,025,034**	—
CCASS fee income	**858,134**	1,398,768
Handling fee income	**188,660**	129,811
Interest income on bank deposits	**109,272**	222,911
Other interest income	**2**	251
Sundry income	**1,215,985**	430,167
	3,397,087	2,181,908

7. LOSS BEFORE INCOME TAX

	2011	2010
	HK$	*HK$*
Loss before income tax has been arrived at after charging/(crediting):		
Auditors' remuneration	**500,000**	750,000
Loss on disposal of property, plant and equipment	**—**	30,945
Operating lease rentals in respect of rented premises	**4,712,371**	7,498,227
Rental income net of outgoings in respect of investment property	**(597,700)**	—

8. INCOME TAX (EXPENSE)/CREDIT

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 year. No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred a tax loss for the year (2010: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2011	2010
	HK$	*HK$*
Current income tax:		
Current tax on profits for the year		
— Hong Kong Profits Tax	**—**	—
— PRC Corporate Income Tax	**—**	—
	—	—
Underprovision in previous years		
— Hong Kong Profits Tax	**—**	—
— PRC Corporate Income Tax	**323,171**	—
	323,171	—
Total current tax	**323,171**	—
Deferred income tax		
Current year	**4,379,334**	—
Reversal of temporary differences	**—**	(31,927,626)
Income tax expense/(credit)	**4,702,505**	(31,927,626)

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the Hong Kong Profits Tax rate of 16.5% (2010: 16.5%) as follows:

	2011	2010
	HK$	*HK$*
Loss before income tax	**(34,727,222)**	(250,567,434)
Tax calculated at Hong Kong Profits Tax rate of 16.5% (2010: 16.5%)	**(5,729,992)**	(41,343,627)
Tax effect of:		
— Different tax rates of subsidiaries operating in other jurisdictions	**(1,651,243)**	(10,417,363)
— Income not subject to tax	**(289,049)**	(512,251)
— Expenses not deductible for tax purposes	**9,833,370**	44,756,847
— Others	**2,216,248**	7,516,394
— Reversal of deferred tax liabilities	**—**	(31,927,626)
— Underprovision in previous years	**323,171**	—
Tax charge/(credit)	**4,702,505**	(31,927,626)

9. LOSS PER SHARE

Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company for the year ended 31 December 2011 of HK$37,855,857 (2010: loss of HK$215,332,026) by the weighted average number of 3,955,539,462 (2010: 3,520,893,208) ordinary shares in issue during the year.

Diluted

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

10. TRADE RECEIVABLES

	2011	2010
	HK$	*HK$*
Amounts receivable arising from Securities broking:		
Margin clients	**1,487,893**	848,149
Cash clients	**2,908,309**	2,319,204
Brokers and dealers	**6**	6
HKSCC (net)	**—**	2,730,025
Other trade receivables	**118,346**	412,764
	4,514,554	6,310,148
Less: provision for impairment of trade receivables	**—**	(123,192)
Trade receivables, net	**4,514,554**	6,186,956

As at 31 December 2010, the other trade receivables included an amount due from non-controlling interests of approximately HK$172,000. The amount is unsecured, interest-free, denominated in Hong Kong dollar, and repayable on demand.

Amounts receivable from margin clients are repayable on demand, bearing interest at prevailing market rates and are secured by clients' pledged securities which are listed on the Stock Exchange with a total market value of approximately HK$1,297,000 as at 31 December 2011 (2010: HK$32,497,000). No aged analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of the business of securities margin financing.

The settlement terms of amounts receivable arising from securities broking are one or two trade days after the trade execution date, and those of amounts receivable arising from futures broking are one trade day after the trade execution date. Except for the amounts receivable from margin clients as mentioned above, these balances are aged within 30 days.

As at 31 December 2010, trade receivables of HK$123,192 were impaired due to unexpected difficultly in collecting the outstanding amounts.

Other trade receivables arising from the provision of corporate finance services and wealth management services are due immediately from date of billing but the Group will generally grant a credit period of 30 days on average to its customers. Trade receivables arising from the provision of stock information and research services are with credit term of 30 to 90 days (2010: 30 to 90 days).

The following is an aged analysis of other trade receivables at the reporting period:

	2011	2010
	HK$	*HK$*
0–30 days	**118,346**	289,572
31–90 days	**—**	—
91–180 days	**—**	—
181–365 days	**—**	—
Over 365 days	**—**	123,192
	118,346	412,764

The maximum exposure to credit risk at the end of the reporting period is the carrying amounts of trade receivables. Other than the amounts receivable from margin clients, the Group does not hold any collateral as security in respect of its trade receivables.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2011	2010
	HK$	*HK$*
Hong Kong dollars	**4,485,351**	6,088,855
RMB	**29,203**	98,101
	4,514,554	6,186,956

Movements on the provision of impairment of trade receivables are as follows:

	2011	2010
	HK$	*HK$*
At beginning of the year	**123,192**	—
Receivables written off as uncollectible	**(123,192)**	—
Provision for impairment of trade receivables	**—**	120,049
Exchange differences	**—**	3,143
At end of the year	**—**	123,192

11. TRADE PAYABLES

	2011	2010
	HK$	*HK$*
Amounts payable arising from securities broking:		
Margin clients	**761,498**	501,539
Cash clients	**6,683,082**	28,707,947
HKSCC	**1,561,633**	—
Other trade payables	**80,884**	184,555
	9,087,097	29,394,041

Amounts payable to margin clients are repayable on demand and bearing interest at prevailing market rates. No aged analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of the business of securities margin financing.

The settlement terms of amounts payable arising from securities broking are one or two trade days after the trade execution date. Except for the amounts payable to margin clients as mentioned above, these balances are aged within 30 days.

The following is an aged analysis of other trade payables at the end of each reporting period:

	2011	2010
	HK$	*HK$*
0–30 days	**932**	46,348
31–90 days	**—**	—
91–180 days	**—**	—
181–365 days	**—**	—
Over 365 days	**79,952**	138,207
	80,884	184,555

The carrying amounts of the Group's trade payables are denominated in Hong Kong dollars.

12. BORROWINGS

	2011	2010
	HK$	*HK$*
Current portion of long-term bank borrowings		
— Secured	**36,252,047**	—

Notes:

(a) The maturity of borrowings is as follows *(note (c))*:

	2011	2010
	HK$	*HK$*
Within one year	**3,190,991**	—
In the second year	**3,287,894**	—
In the third to fifth year	**10,420,418**	—
Over five years	**19,352,744**	—
	36,252,047	—

(b) At 31 December 2011, the bank borrowings of the Group were secured by the charges over the Group's entire land and buildings and investment property and corporate guarantees executed by the Company. At 31 December 2011, the Group's entire bank borrowings are denominated in HK$, bearing floating interest rate of 2.11% to 3.00% (2010: Nil) per annum.

(c) The amounts due are based on the scheduled repayment dates set out in the loan agreement.

(d) The carrying amount of the bank borrowings amounting to HK$36,252,047 is shown under current liabilities since the outstanding amount is not repayable within one year from the end of the reporting period but contain a repayment on demand clause. None of the portion of term loans due for repayment after one year which contain repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

13. DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31 December 2011 (2010: Nil).

BUSINESS REVIEW

During the year of 2011, the financial service sector remained very competitive. The stock market was volatile. Our Group has continued in stock brokerage business, margin financing, corporate finance services, wealth management services, stock information and research services.

In January of the year under review, the Group made two mortgage loans with two banks for the land and building, and an investment property in Central. It purchased these properties in the fourth quarter in 2010 with an aggregate of over HK$78 million in considerations. This better strategic location of the Group for main management would secure the Group for a better working environment in alliance with various potential strategic partners in the same locations. In addition, the Group also achieved rental savings instead of having two offices in which the Group used to operating before removal. It is believed to be for a long term benefit for the Group as a whole. In March 2011, a wholly-owned subsidiary execute an agreement with Guangdong Brightzone (formerly known "Zhuhai Brightzone") for a platform to Wealth Alliance to sell and market a stock investment analysis software and software packages developed and owned by the Group. In December 2011, the Group successfully issued 800,000,000 transferrable unlisted warrants to six placees. The expiration period is three years at a subscription price of HK$0.124. It represents a discount to the closing price as at year end date.

FINANCIAL REVIEW

Results of the Group

The Group recorded total turnover of approximately HK$12.7 million in 2011. Compared with the amount of approximately HK$49.0 million last year, there was a decrease of approximately HK$36.3 million or 74.1%. The decrease in turnover was primarily caused by poor performance in the stock market during the reporting period. And the tightened policy of the PRC government on regulating the securities and investment consultancy sector of the PRC in which the Group's operates, which is relatively less favourable to foreign enterprise's participation.

Loss for the year amounted to approximately HK$39.4 million compared with loss of approximately HK$218.6 million for the corresponding year. The loss has substantially narrowed. The decrease in loss for the year was due to absence of impairments written off to the consolidated statement of comprehensive income for the year under review. These impairments include intangible assets, goodwill, other intangible assets and trade receivables. Although there was an increase in depreciation of property, plant and equipment due to the above acquisition of properties in Central and the resultant increase in finance costs arising from the mortgages relating to these properties, its effect is materially counteracted by the effect from decrease in the impairments, employee benefits expenses and other operating expenses. The decrease in employee benefits expenses resulted mainly from absence of the share-based compensation expenses in the year under review. Share of losses of associates has also narrowed. The results have been improved by an increase in other gains and other income, deriving from disposing of certain fixed assets, subsidiaries, sale of software to an associate, appreciation in value of an investment property and advertising service income.

Liquidity and financial resources

The Group is in healthy liquidity and financial position. As at 31 December 2011, the shareholders' fund of the Group amounted to approximately HK$137.0 million. As at 31 December 2011, the Group's cash and bank balances were approximately HK$46.3 million (2010: approximately HK$131.9

million) of which approximately HK$6.7 million were held on behalf of clients in trust and segregated accounts. Taking into account of the amount of liquid assets in hand, the Board is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

The Group manages the foreign exchange exposure arising from its normal course of business activities and investments in foreign operations by funding its local operations and investments through cash flows generated from business transactions locally. As at the end of the year, the Group did not have any material un-hedged foreign exchange exposure or interest rate mismatch.

Capital Structure

As at the end of 2011, the total number of the Company's shares have been increased to 4,028,964,120 shares, after issue of 200,000,000 consideration shares as partial consideration for the acquisition of GoHi on 16 November 2007 pursuant to the Agreements as disclosed in the Company's circular dated 22 October 2007. The Company have also issued an aggregate of 800,000,000 unlisted but transferrable warrants. The exercise in full of these warrants would, under the present capital structure of the Company, result in the issue of 800,000,000 additional ordinary shares of the Company.

The Group had a secured bank borrowing, albeit repayable on demand, of approximately HK$36.3 million as at the end of 2011 according to its rescheduled repayment date reaching over five years. The Company has given a corporate guarantee to the extent of HK$57.1 million to a bank in respect of general banking facility granted to a subsidiary. However, no overdraft was drawn under this facility at the balance sheet date.

Stock Information and Research Services

The total fee income of the stock information and research services unit has significantly decreased to approximately HK$5.5 million for the year, representing a decrease of approximately HK$25.4 million or of approximately 82.2% compared with that of last year; this unit reported an operating loss before income tax expenses of approximately HK$18.5 million, representing a decrease of approximately HK$136.3 million or of approximately 88.0% compared with that of last year. It was mainly attributable to tightened policy of the PRC government on regulating the securities and investment consultancy sector of the PRC in which the Group operated, which is relatively less favourable to foreign enterprise's participation.

Brokerage and Trading Platform

Total turnover of this unit recorded was approximately HK$7.1 million for the year ended 31 December 2011, compared with approximately HK$14.4 million for the same period last year. The unit recorded a loss of approximately HK$3.4 million compared with a loss of approximately HK$2.2 million for the corresponding period. The loss has increased. It was due to rather poor performance of stock market during the year under review.

Wealth Management Services

Since the market is poor, being affected by external factors, the total fee income of the wealth management division significantly decreased to approximately HK$0.3 million for the year from approximately HK$1.5 million for the same period last year. This unit recorded remained at a loss of approximately HK$0.2 million for the year as in last year.

Corporate Finance Services

This segment remained inactive during the year under review.

Property Investments

A new income stream derived from leasing one of the properties acquired during the year under review. The income amounted to approximately HK$1.0 million for the year. This unit recorded a profit of approximately HK$1.3 million for the year.

OUTLOOK

In the coming year, with uncertainty about the stock market, the Group is optimistic. We will continue with our solid foundation in securities trade industry and related business. Subsequent to issue of warrants, the Group has successfully refreshed the general mandate to issue, allot and deal with up to over 965 million new shares upon independent shareholders' approval in an extraordinary general meeting convened in February 2012. The refreshment will provide the Group with flexibility to raise additional fund as general working capital or to capture fund raising opportunities, without interest payment obligation, as well as potential business opportunities which may arise from time to time. The Group is actively looking at several other projects which are of potentials in contributing profits and value to the shareholders. In the meantime, the Group has successfully been granted license of futures trading from the regulatory body to enhance our business potential in derivative trading in addition to the present stock brokerage business. Coupled with our connectivity in China and business relationship with our precious clients, and our current healthy liquidity and financial position, the Group is positioned to deliver better results in the future.

CHARGES ON ASSETS

As at 31 December 2011, the Group had bank borrowings secured by charges over the Group's entire land and building and investment property and corporate guarantees executed by the Company (2010: Nil).

CONTINGENT LIABILITIES

As at 31 December 2011, the Group did not have any contingent liabilities (2010: Nil).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES/FUTURE PLAN FOR MATERIAL INVESTMENTS

There was no other material acquisition/disposal which would have been required to be disclosed under the GEM Listing Rules for the year under review. At present, the Group has no concrete plans for any material investments.

EMPLOYEE INFORMATION

As at 31 December 2011, the Group had a workforce of 114 employees (2010: 393). The total staff costs, including directors' emoluments, amounted to about HK$16.8 million for the year ended 31 December 2011 (2010: approximately HK$55.2 million).

The Group's remuneration policies are reviewed on an annual basis and commensurate with the industry pay level. The remuneration package includes basic salary, provident fund, medical benefits and discretionary bonus. The Group has also adopted a share option scheme as an added incentive for its employees. During the year, the Company had not granted any new share option to any director or employee.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year, 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.

CORPORATE GOVERNANCE PRACTICES

The Board assumes overall responsibility for the leadership and control of the Group, including providing and setting the Group's directions and strategies in the interests of the Group. It believes in good corporate governance and corporate governance practices that promote investor confidence, development of the Group, and transparency while having the long term interest of the Group and enhancement of shareholders' value as the ultimate objectives. It is committed to and has applied the principles of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules ("Corporate Governance Code"). The Company was in compliance with the Corporate Governance Code.

AUDIT COMMITTEE

The Company has established an Audit Committee with specific written terms of reference. The Audit Committee consist of four independent non-executive directors, namely, Mr Tony I Tong, Professor Zhang Benzheng, Mr Li Jianxing and Mr Chen Shu Wen. Mr Tony I Tong, being an independent non-executive Director, is the chairman of the Committee. The Audit Committee's role and function includes making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor; review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; develop and implement policy on the engagement of an external auditor to supply non-audit services; monitor the integrity of financial statements, annual reports and accounts, half-yearly and quarterly reports of the Company, and review significant financial reporting judgments contained in them; review the Company's financial controls, internal control and risk management systems; and review the Group's financial and accounting policies, procedures and practices.

The Audit Committee have reviewed the financial statements of the Group for the year ended 31 December 2011 pursuant to the relevant provisions contained in the Code of Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules and were of the opinion that such statements had complied with applicable accounting standards and that adequate disclosures had been made in respect thereof.

The Audit Committee held four meetings during the year and the attendance of its members was as follows:

Members	Attendance Number of meetings attended/ Number of meetings during term of service
Zhang Benzheng	4/4
Tony I Tong (appointed on 28 March 2011)	3/4
Chen Shu Wen (appointed on 23 September 2011)	1/4
Li Jianxing (appointed on 28 March 2011)	4/4

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

Hong Kong, 23 March 2012

As of the date of this announcement, 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 Benzheng, Mr Tony I Tong, Mr Li Jianxing and Mr Chen Shu Wen.

This announcement will remain on the ''Latest Company Announcements'' page of the website of the GEM of the Stock Exchange at www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at www.firstchina.hk.