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 2012

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$10,350,000 for the year ended 31 December 2012.

Loss for the year ended 31 December 2012 was approximately HK$39,408,000.

Loss attributable to owners of the Company for the year ended 31 December 2012 amounted to approximately HK$39,019,000.

Both basic and diluted loss per share were approximately 0.97 HK cents.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2012.

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 2012 together with the comparative audited figures for the corresponding year in 2011.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2012

	Note	**2012** *HK$*	2011 *HK$*
Revenue	*3*	**10,350,363**	12,686,091
Cost of sales		**(602,125)**	(178,266)
Gross profit		**9,748,238**	12,507,825
Other gains	*5*	**4,400,000**	5,606,030
Other income	*6*	**1,144,096**	3,397,087
Employee benefits expenses		**(13,491,384)**	(16,823,214)
Depreciation of property, plant and equipment		**(4,823,203)**	(5,208,717)
Amortization of intangible assets		**(2,451,900)**	—
Impairment of goodwill		**(581,950)**	—
Impairment of intangible assets		**(499,999)**	—
Impairment of trade receivables		**(51,884)**	—
Impairment of other receivables		**(874,185)**	(4,714,937)
Write-down of inventories		**(4,903,800)**	—
Finance costs	*7*	**(964,562)**	(895,398)
Other operating expenses		**(25,910,282)**	(28,350,355)
Share of losses of associates		**(328,356)**	(245,543)
Loss before income tax	*8*	**(39,589,171)**	(34,727,222)
Income tax credit/(expense)	*9*	**181,522**	(4,702,505)
Loss for the year		**(39,407,649)**	(39,429,727)
Other comprehensive income			
Currency translation differences:			
— Group		**662,154**	656,093
— Associates		**9,515**	22,733
Release of translation reserve upon disposal of subsidiaries		**(544,796)**	(54,684)
Other comprehensive income for the year, net of tax		**126,873**	624,142
Total comprehensive income for the year		**(39,280,776)**	(38,805,585)

	Note	2012 HK$	2011 HK$
Loss for the year attributable to:			
Owners of the Company		**(39,019,328)**	(37,855,857)
Non-controlling interests		**(388,321)**	(1,573,870)
		(39,407,649)	(39,429,727)
Total comprehensive income attributable to:			
Owners of the Company		**(38,860,285)**	(37,121,361)
Non-controlling interests		**(420,491)**	(1,684,224)
		(39,280,776)	(38,805,585)
Loss per share for loss attributable to owners of the Company during the year			
— basic (HK cents)	*10*	**(0.97)**	(0.96)
— diluted (HK cents)	*10*	**(0.97)**	(0.96)

Consolidated Statements of Financial Position
As at 31 December 2012

	Note	2012 HK$	2011 HK$
Non-current assets			
Property, plant and equipment		**44,033,446**	48,637,574
Investment property		**46,500,000**	42,100,000
Intangible assets		**6,121,855**	84,809
Statutory deposits and other assets		**2,030,000**	575,000
Investments in associates		**15,470**	1,676,076
		98,700,771	93,073,459
Current assets			
Inventories		**5,458,255**	140,514
Held-for-trading investments		**—**	2,110,359
Current income tax recoverable		**1,457,827**	2,294,840
Trade receivables	*11*	**4,148,882**	4,514,554
Prepayments, deposits and other receivables		**16,403,502**	30,849,404
Amounts due from associates		**—**	15,966,214
Bank balances and cash		**20,352,602**	46,302,258
		47,821,068	102,178,143
Total assets		**146,521,839**	195,251,602
Current liabilities			
Trade payables	*12*	**8,137,097**	9,087,097
Other payables and accruals		**2,978,423**	12,088,238
Amount due to an associate		**290**	287
Borrowings	*13*	**33,066,172**	36,252,047
		44,181,982	57,427,669
Net current assets		**3,639,086**	44,750,474
Total assets less current liabilities		**102,339,857**	137,823,933
Non-current liabilities			
Deferred income tax liabilities		**4,197,812**	4,379,334
		4,197,812	4,379,334
Net assets		**98,142,045**	133,444,599

	2012	2011
	HK$	*HK$*
Capital and reserves		
Share capital	**40,289,642**	40,289,642
Share premium	**1,028,819,484**	1,028,819,484
Special reserve	**4,778,740**	4,778,740
Translation reserve	**9,730,066**	9,571,023
Warrants reserve	**223,224**	223,224
Share-based compensation reserve	**23,254,749**	23,254,749
Accumulated losses	**(1,008,953,861)**	(969,934,533)
Equity attributable to owners of the Company	**98,142,044**	137,002,329
Non-controlling interests	**1**	(3,557,730)
Total equity	**98,142,045**	133,444,599

Consolidated Statements of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company											
	Share capital	Share premium	Special reserve	Translation reserve	Shares to be issued	Share options reserve	Warrants reserve	Share-based compensation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Balance as at 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 income 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)	—
Lapse 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 warrants	—	—	—	—	—	—	223,224	—	—	223,224	—	223,224
Share option scheme												
— Lapse of vested share options	—	—	—	—	—	—	—	(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

	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$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Balance as at 31 December 2011 and 1 January 2012	**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**
Total comprehensive income for the year	—	—	—	**159,043**	—	—	**(39,019,328)**	**(38,860,285)**	**(420,491)**	**(39,280,776)**
Disposal of subsidiaries	—	—	—	—	—	—	—	—	**3,978,222**	**3,978,222**
Balance as at 31 December 2012	**40,289,642**	**1,028,819,484**	**4,778,740**	**9,730,066**	**223,224**	**23,254,749**	**(1,008,953,861)**	**98,142,044**	**1**	**98,142,045**

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 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, wealth management services and trading and principal investments 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 registered office is situated at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands. The Company's principal place of business in Hong Kong is situated at 16th Floor, CMA 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 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 consolidated financial statements. These consolidated financial statements have been approved and authorized for issue by the board of directors on 22 March 2013.

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 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.

The preparation of 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

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Disclosures — Transfers of Financial Assets

In prior year, the Group early adopted the Amendments to HKAS 12 "Deferred Taxes: Recovery of Underlying Assets" in respect of the recognition of deferred tax on investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" and are presumed to be recovered through sale.

The adoption of the new and revised of HKFRS has no material effect in the consolidated financial statements of the Group for the current or prior years.

(b) New standards and interpretations not yet adopted

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 1 (Amendment)	Government Loans[2]
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Investment Entities[3]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]
Annual Improvements Project	Annual Improvements 2009–2011 Cycle[2]

1 Effective for annual periods beginning on or after 1 July 2012.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2014.
4 Effective for annual periods beginning on or after 1 January 2015.

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.

(c) 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.

(d) 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.

(e) 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.

(f) *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.

(g) *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 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.

(h) *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

	2012	2011
	HK$	*HK$*
Income from provision of a trading platform	**156,714**	161,748
Commission income from securities and futures brokerage	**3,481,371**	6,123,444
Interest income from clients	**537,944**	827,951
Net fair value gains/(losses) on securities trading	**19,272**	(1,261,117)
Income from provision of wealth management services	**124,796**	322,766
Rental income from investment property	**1,164,373**	985,600
Income from provision of stock information and research services	**4,865,893**	5,525,699
	10,350,363	12,686,091

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. Operating segments were determined 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 2012 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	**156,714**	**4,019,315**	**—**	**19,272**	**124,796**	**1,164,373**	**4,865,893**	**10,350,363**
Segment results	**11,715**	**(4,325,105)**	**(10,350)**	**(533,510)**	**(2,687)**	**5,553,214**	**(19,451,483)**	**(18,758,206)**
Net unallocated expenses								**(19,592,479)**
Finance costs								**(964,562)**
Interest income								**54,432**
Share of losses of associates							**(328,356)**	**(328,356)**
Loss before income tax								**(39,589,171)**
Income tax credit								**181,522**
Loss for the year								**(39,407,649)**

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)

Other segment information for the year ended 31 December 2012 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	Unallocated	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Depreciation and amortization	—	**63,417**	—	**28,195**	—	—	**1,992,765**	**5,190,726**	**7,275,103**
Impairment of goodwill	—	—	—	—	—	—	—	**581,950**	**581,950**
Impairment of intangible assets	—	**499,999**	—	—	—	—	—	—	**499,999**
Impairment of trade receivables	—	—	—	—	**51,884**	—	—	—	**51,884**
Impairment of other receivables	—	—	—	—	—	—	—	**874,185**	**874,185**
Write-down of inventories	—	—	—	—	—	—	**4,903,800**	—	**4,903,800**

Other segment information 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	Unallocated	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
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

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, amount due from associates and bank balances and cash. Segment liabilities comprise operating liabilities.

The segment assets and liabilities as at 31 December 2012 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	**94,974**	**22,283,436**	**207,733**	**1,533,728**	**500,712**	**46,854,332**	**25,455,471**	**49,575,983**	**146,506,369**
Investments in associates	**—**	**—**	**—**	**—**	**—**	**—**	**15,470**	**—**	**15,470**
	94,974	**22,283,436**	**207,733**	**1,533,728**	**500,712**	**46,854,332**	**25,470,941**	**49,575,983**	**146,521,839**
Segment liabilities	**1,173**	**7,610,832**	**5,000**	**52,664**	**25,578**	**17,497,000**	**137,809**	**23,049,738**	**48,379,794**
Capital expenditure									
Additions of property, plant and equipment	**—**	**87,196**	**—**	**—**	**—**	**—**	**30,089**	**178,121**	**295,406**
Additions of intangible asset	**—**	**500,000**	**—**	**—**	**—**	**—**	**—**	**9,189,162**	**9,689,162**

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 Group mainly operates in Hong Kong and the PRC.

	2012 *HK$*	2011 *HK$*
Revenue		
Hong Kong	**5,465,198**	8,351,769
The PRC	**4,885,165**	4,334,322
	10,350,363	12,686,091

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

	2012	2011
	HK$	*HK$*
Total assets		
Hong Kong	**111,679,230**	128,509,051
The PRC	**34,827,139**	65,066,475
	146,506,369	193,575,526
Investments in associates	**15,470**	1,676,076
	146,521,839	195,251,602

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

	2012	2011
	HK$	*HK$*
Capital expenditure		
Hong Kong	**594,726**	82,859,064
The PRC	**9,389,842**	134,304
	9,984,568	82,993,368

Capital expenditure is allocated on where the assets are located.

Information about major customers

Details of the customers accounting for 10% or more of total revenue are as follows:

	2012	2011
	HK$	*HK$*
Customer A	**1,164,373**	—

5. OTHER GAINS

	2012	2011
	HK$	*HK$*
Gain on disposal of property, plant and equipment	**—**	258,765
Gain on disposal of a subsidiary	**—**	3,971,794
Gain arising on change in fair value of an investment property	**4,400,000**	344,500
Gain on disposal of software to an associate	**—**	1,030,971
	4,400,000	5,606,030

6. OTHER INCOME

	2012	2011
	HK$	*HK$*
Advertising service income	**—**	1,025,034
CCASS fee income	**232,367**	858,134
Handling fee income	**76,552**	188,660
Interest income on bank deposits	**53,890**	109,272
Other interest income	**542**	2
Sundry income	**780,745**	1,215,985
	1,144,096	3,397,087

7. FINANCE COSTS

	2012	2011
	HK$	*HK$*
Interest expenses on:		
Bank borrowings wholly repayable within one year	**—**	785
Bank borrowings not wholly repayable within one year from the end of the reporting period but contain a repayment on demand clause	**964,562**	894,613
	964,562	895,398

8. LOSS BEFORE INCOME TAX

	2012	2011
	HK$	*HK$*
Loss before income tax has been arrived at after charging/(crediting):		
Auditors' remuneration	**450,000**	500,000
Loss on acquisition of additional interest in a subsidiary		
— Loss on remeasurement of previously held equity interest	**58,346**	—
Loss on disposal of subsidiaries	**4,354,581**	—
Loss on disposal of property, plant and equipment	**20,353**	—
Operating lease rentals in respect of rented premises	**3,472,336**	4,712,371
Rental income net of outgoings in respect of investment property	**(706,596)**	(597,700)

9. INCOME TAX (CREDIT)/EXPENSE

Hong Kong Profits Tax is calculated at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the year. Taxation on overseas profits is calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2012	2011
	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	**(181,522)**	4,379,334
Income tax (credit)/expense	**(181,522)**	4,702,505

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% (2011: 16.5%) as follows:

	2012	2011
	HK$	*HK$*
Loss before income tax	**(39,589,171)**	(34,727,222)
Tax calculated at Hong Kong Profits Tax rate of 16.5% (2011: 16.5%)	**(6,532,213)**	(5,729,992)
Tax effects of:		
— Different tax rates of subsidiaries operating in other jurisdictions	**(2,290,659)**	(1,651,243)
— Income not subject to tax	**(1,249,258)**	(289,049)
— Expenses not deductible for tax purposes	**3,521,687**	9,833,370
— Others	**6,368,921**	2,216,248
— Underprovision in previous years	**—**	323,171
Tax (credit)/charge	**(181,522)**	4,702,505

10. 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 2012 of HK$39,019,328 (2011: HK$37,855,857) by the weighted average number of 4,028,964,120 (2011: 3,955,539,462) ordinary shares in issue during the year.

Diluted

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

11. TRADE RECEIVABLES

	2012	2011
	HK$	*HK$*
Amounts receivable arising from securities broking:		
Margin clients	**2,058,785**	1,487,893
Cash clients	**1,970,362**	2,908,309
Brokers and dealers	**6**	6
Other trade receivables	**119,729**	118,346
Trade receivables, net	**4,148,882**	4,514,554

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$14,248,000 as at 31 December 2012 (2011: HK$1,297,000). 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. Except for the amounts receivable from margin clients as mentioned above, these balances are aged within 30 days.

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 terms of 30 to 90 days (2011: 30 to 90 days).

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

	2012	2011
	HK$	*HK$*
0–30 days	**83,729**	118,346
31–90 days	**—**	—
91–180 days	**—**	—
181–365 days	**36,000**	—
Over 365 days	**—**	—
	119,729	118,346

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.

As at 31 December 2012, trade receivables of approximately HK$36,000 (2011: Nil) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

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

	2012	2011
	HK$	*HK$*
Hong Kong dollars	**4,066,705**	4,485,351
RMB	**82,177**	29,203
	4,148,882	4,514,554

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

	2012	2011
	HK$	*HK$*
At 1 January	**—**	123,192
Receivables written off during the year as uncollectible	**—**	(123,192)
At 31 December	**—**	—

12. TRADE PAYABLES

	2012	2011
	HK$	*HK$*
Amounts payable arising from securities broking:		
Margin clients	**101,722**	761,498
Cash clients	**6,109,461**	6,683,082
HKSCC	**1,164,750**	1,561,633
Other trade payables	**761,164**	80,884
	8,137,097	9,087,097

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:

	2012	2011
	HK$	*HK$*
0–30 days	**1,173**	932
31–90 days	**—**	—
91–180 days	**—**	—
181–365 days	**754,094**	—
Over 365 days	**5,897**	79,952
	761,164	80,884

13. BORROWINGS

	2012	2011
	HK$	*HK$*
Secured bank borrowings	**33,066,172**	36,252,047

Notes:

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

	2012	2011
	HK$	*HK$*
Within one year	**3,280,545**	3,190,991
In the second year	**3,373,020**	3,287,894
In the third to fifth year	**10,698,770**	10,420,418
Over five years	**15,713,837**	19,352,744
	33,066,172	36,252,047

(b) At 31 December 2012, the bank borrowings were secured by charges over the Group's land and buildings and investment property and corporate guarantees executed by the Company. At 31 December 2012, the bank borrowings are denominated in HK$, bearing floating interest rate of 2.25% to 3.00% (2011: 2.11% to 3.00%) per annum.

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

(d) The bank borrowings are shown under current liabilities as the loan agreements contain a repayment on demand clause.

14. DIVIDEND

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

BUSINESS REVIEW

During the year of 2012, the Hong Kong stock market was still volatile as influenced by the external environment. Getting the inflow of hot money in Hong Kong, stock market became upward again in the second half of 2012. Affected by the quantitative easing policies in United States and national policies in China, investors were cautious in investment and the stock market was fluctuating.

The Group had an adoption of a New Share Option Scheme in compliance with Chapter 23 of the GEM Listing Rules, in which was approved by the shareholders at the 2012 Annual General Meeting. Share Option Scheme is to provide the people and the parties working for the interest of the Group with an opportunity to obtain equity interest in the Company, thus linking their interest with the interest of the Group and thereby providing them with an incentive to work better for the interest of the Group.

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

Results of the Group

The Group recorded total turnover of approximately HK$10.4 million for the year ended 31 December 2012 as compared to approximately HK$12.7 million for the previous year, there was a decrease of approximately HK$2.3 million or of approximately 18.1%. The drastic downturn of securities broking business was mainly attributable to the decreasing turnover of Hong Kong securities market as a result of investors' conservative attitude. Therefore, income derived from securities broking decreased sharply.

Loss for the year of approximately HK$39.4 million is similar to the corresponding year. The loss of the year encompassed impairments of goodwill, intangible assets, trade receivables and other receivables as well as written down of inventories. They totaled approximately HK$9.4 million (2011 : HK$4.7 million). Its effect is counteracted by the effect from decrease in the employee benefits expenses and other operating expenses in the year under review.

Liquidity and financial resources

The equity attributable to the owners of the Company amounted to approximately HK$98.1 million as at 31 December 2012, representing a decrease of HK$38.9 million, or 28.3% from that of 31 December 2011. The decrease was mainly attributed to the loss for the year attributable to the owners of the Company.

The Group's net current assets as at 31 December 2012 amounting to approximately HK$3.6 million (2011: HK$44.8 million). As at 31 December 2012, the Group's cash and bank balance are approximately HK$20.4 million (2011: HK$46.3 million) of which approximately HK$5.8 million were held on behalf of clients in trust and segregated accounts. As at 31 December 2012, the Group's total borrowings amounted to approximately HK$33.1 million (2011: HK$36.3 million). Of this, approximately HK$3.3 million is repayable within one year. The borrowings were secured by charges over the Group's investment property, land and building as well as corporate guarantees issued by the Company. 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 2012, the total number of the Company's shares was 4,028,964,120 shares. The Company had 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.

Stock Information and Research Services

The total fee income of the stock information and research services unit has decreased to approximately HK$4.9 million for the year, representing a decrease of approximately HK$0.6 million or of approximately 10.9% compared with that of last year; this unit reported an operating loss before income tax expenses of approximately HK$19.5 million, representing a increase of loss of approximately HK$1.0 million or of approximately 5.4% 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$4.2 million for the year ended 31 December 2012, compared with approximately HK$7.1 million for the same period last year. The unit recorded a loss of approximately HK$4.3 million compared with a loss of approximately HK$3.4 million for the corresponding period. The loss has increased due to weak retail equity market sentiment 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 decreased to approximately HK$0.1 million for the year from approximately HK$0.3 million for the same period last year. This unit recorded a insignificant profit for the year.

Corporate Finance Services

This segment remained inactive during the year under review.

Property Investments

Rental income derived from leasing one of the Group's properties. The income amounted to approximately HK$1.2 million for the year. This unit recorded a profit of approximately HK$5.6 million for the year, representing an increase of approximately HK$4.3 million compared with that of 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 provide more financial service to customers, the Group has been prepared to resume futures trading operations. And we have successfully been granted license of futures trading from the regulatory body to enhance our business potential in futures trading in addition to the present stock brokerage business.

In addition, the Group shall try to identify and develop new investment opportunities to enhance the profitability and the shareholders' value of the Group.

Looking ahead, the Group remains positive and optimistic about the prospects of Hong Kong stock market. We will continue to closely monitor the changes in the market.

CHARGES ON ASSETS

Investment properties and property, plant and equipment of the Group with a carrying amount of HK$83.7 million (2011: HK$80.9 million) were pledged for banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group did not have any contingent liabilities (2011: 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 2012, the Group had a workforce of 74 employees (2011: 114). The total staff costs, including directors' emoluments, amounted to about HK$13.5 million for the year ended 31 December 2012 (2011: HK$16.8 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 new 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. The Company has applied the principles and complied with all the code provisions set out in the Code on Corporate Governance Practices for the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code for the period from 1 April 2012 to 31 December 2012 (the "Corporate Governance Code") contained in Appendix 15 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has established an Audit Committee with specific written terms of reference. The Audit Committee consists of four independent non-executive directors, 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 2012 pursuant to the relevant provisions contained in the Corporate Governance Code And Corporate Governance Report 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**
Tony I Tong	4/4
Zhang Benzheng	4/4
Li Jianxing	4/4
Chen Shu Wen	3/4

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

Hong Kong, 22 March 2013

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.