



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

2010 Third Quarterly Report



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Pursuant to Chapter 36 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”), the Securities and Futures Commission (the “SFC”) regulates First China Financial Network Holdings Limited (the “Company”) in relation to the listing of its shares on The Stock Exchange of Hong Kong Limited. The SFC, The Hong Kong Exchanges and Clearing Limited, and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

The Group recorded a turnover of approximately HK\$42,050,000 for the nine months ended 30 September 2010.

Loss for the nine months ended 30 September 2010 was approximately HK\$42,278,000, included share options granted to directors and employees approximately HK\$23,383,000.

Loss attributable to equity holders of the Company for the nine months ended 30 September 2010 amounted to approximately HK\$40,668,000.

Loss per share was approximately 1.19 HK cents.

The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2010.

Third Quarterly Results (Unaudited)

The board of Directors of the Company (the “Board”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the nine months ended 30 September 2010 together with the comparative unaudited figures for the corresponding period in 2009.

Condensed Consolidated Statement of Comprehensive Income

	Note	Three months ended 30 September		Nine months ended 30 September	
		2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Revenue	3	4,927	23,474	42,050	66,461
Other income		1,576	852	4,400	1,487
Employee benefits expenses	4	(5,511)	(6,999)	(45,241)	(17,779)
Depreciation of property, plant and equipment		(1,210)	(897)	(3,455)	(2,658)
Amortization of intangible assets		(1,310)	(1,195)	(3,558)	(2,793)
Loss on disposal of property, plant and equipment		(3)	(41)	(14)	(42)
Other operating expenses		(10,662)	(14,494)	(34,262)	(34,725)
Share of loss of associates		(7)	(129)	(390)	(277)
(Loss)/profit before income tax		(12,200)	571	(40,470)	9,674
Income tax credit/(expense)	5	241	(2,470)	(1,808)	(7,014)
(Loss)/profit for the period		(11,959)	(1,899)	(42,278)	2,660
Other comprehensive income					
Change in fair value of available-for-sale financial assets		—	122	—	465
Currency translation differences		2,711	(475)	4,317	547
Other comprehensive income/(loss) for the period, net of tax		2,711	(353)	4,317	1,012
Total comprehensive (loss)/income for the period		(9,248)	(2,252)	(37,961)	3,672

	Note	Three months ended 30 September		Nine months ended 30 September	
		2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
(Loss)/profit for the period attributable to:					
Equity holders of the Company		(11,287)	(1,895)	(40,668)	2,664
Minority interests		(672)	(4)	(1,610)	(4)
		(11,959)	(1,899)	(42,278)	2,660
Total comprehensive (loss)/income attributable to:					
Equity holders of the Company		(8,557)	(2,248)	(36,326)	3,676
Minority interests		(691)	(4)	(1,635)	(4)
		(9,248)	(2,252)	(37,961)	3,672
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the period					
— basic (HK cents)	6	(0.30)	(0.06)	(1.19)	0.09
— diluted (HK cents)	6	(0.30)	(0.06)	(1.19)	0.09

Condensed Consolidated Statements of Changes in Equity

For the nine months ended 30 September 2009

	Attributable to the equity holders of the Company											
	Share capital	Share premium	Special reserve	Available-for-sale investments revaluation reserve	Translation reserve	Shares to be issued	Share options reserve	Share-based compensation reserve	Accumulated losses	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 January 2009	29,341	478,228	4,779	353	3,674	336,000	43,382	1,767	(741,825)	155,699	72	155,771
Total comprehensive income for the period	—	—	—	465	547	—	—	—	2,664	3,676	(4)	3,672
Capital contributions from minority interests	—	—	—	—	—	—	—	—	—	—	597	597
Issue of shares upon exercise of Option in respect of acquisition of subsidiaries	200	2,800	—	—	—	—	—	—	—	3,000	—	3,000
Transfer upon exercise of Option in respect of acquisition of subsidiaries	—	14,461	—	—	—	—	(14,461)	—	—	—	—	—
Share option scheme — vested share options lapsed	—	—	—	—	—	—	—	(972)	972	—	—	—
Balance as at 30 September 2009	29,541	495,489	4,779	818	4,221	336,000	28,921	795	(738,189)	162,375	665	163,040

Condensed Consolidated Statements of Changes in Equity

For the nine months ended 30 September 2010

	Attributable to the equity holders of the Company											
	Share capital	Share premium	Special reserve	Available-for-sale investments		Shares to be issued	Share options reserve	Share-based compensation reserve	Accumulated losses	Total	Minority interests	Total equity
				revaluation reserve	Translation reserve							
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
Balance as at 1 January 2010	29,541	495,488	4,779	—	4,151	336,000	28,921	795	(737,448)	162,227	665	162,892
Total comprehensive loss for the period	—	—	—	—	4,318	—	—	—	(40,668)	(36,350)	(1,635)	(37,985)
Capital contributions from minority interests	—	—	—	—	—	—	—	—	—	—	5,233	5,233
Issue of shares upon exercise of Option in respect of acquisition of subsidiaries	200	2,800	—	—	—	—	—	—	—	3,000	—	3,000
Issue of Consideration Shares	2,000	166,000	—	—	—	(168,000)	—	—	—	—	—	—
Issue of Bonus Shares	75	6,207	—	—	—	—	—	—	—	6,282	—	6,282
Transfer upon exercise of Option in respect of acquisition of subsidiaries	—	14,461	—	—	—	—	(14,461)	—	—	—	—	—
Issue of Open Offer Shares	6,382	178,685	—	—	—	—	—	—	—	185,067	—	185,067
Transaction costs attributable to issue of Open Offer Shares	—	(2,027)	—	—	—	—	—	—	—	(2,027)	—	(2,027)
Share option scheme — value of employee services	—	—	—	—	—	—	—	23,383	—	23,383	—	23,383
Issue of shares for acquisition of software copyright	92	1,603	—	—	—	—	—	—	—	1,695	—	1,695
Balance as at 30 September 2010	38,290	863,217	4,779	—	8,469	168,000	14,460	24,178	(778,116)	343,277	4,263	347,540

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 in Mainland China, provision of securities and futures 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 shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These unaudited condensed consolidated financial statements are presented in Hong Kong dollars (HK\$) unless otherwise stated. These unaudited condensed consolidated financial statements were approved and authorized for issue by the board of directors on 10 November 2010.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the unaudited condensed consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements were consistent with those applied for the financial statements of the Group for the year ended 31 December 2009.

3. REVENUE

	Three months ended		Nine months ended	
	30 September		30 September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Income from provision of stock information and research analysis services	1,355	19,643	29,287	55,704
Income from provision of a trading platform	41	46	123	121
Commission income from securities and futures brokerage	2,838	3,135	10,422	8,083
Interest income from clients	50	137	228	284
Net fair value gains/(losses) on investments	394	(126)	751	(71)
Income from provision of wealth management services	249	639	1,239	2,340
	4,927	23,474	42,050	66,461

4. Employee benefits expenses

	Three months ended		Nine months ended	
	30 September		30 September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Wages and salaries	5,452	6,928	21,672	17,562
Share options granted to directors and employees	—	—	23,383	—
Pension costs — defined contribution schemes	59	71	186	217
	5,511	6,999	45,241	17,779

5. INCOME TAX CREDIT/(EXPENSE)

Hong Kong Profits Tax is calculated at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the period. No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred a tax loss for the period (2009: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

6. (LOSS)/EARNINGS PER SHARE

Basic

Basic (loss)/earnings per share is calculated by dividing the loss attributable to equity holders of the Company for the nine months ended 30 September 2010 of approximately HK\$40,668,000 (2009: profit of approximately HK\$2,664,000) by the weighted average number of 3,417,605,734 (2009: 2,953,097,574) ordinary shares in issue during the period.

Diluted

The computation of diluted loss per share for the period ended 30 September 2010 did not assume the exercise of the Company's share options outstanding during the period ended 30 September 2010 since their exercise would result in a decrease in loss per share.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume the exercise of the Company's share options outstanding during the period ended 30 September 2009.

Earnings

Profit attributable to equity holders of the Company, approximately	HK\$2,664,000
Profit used to determine diluted earnings per share, approximately	HK\$2,664,000
Weighted average number of ordinary shares in issue	2,953,097,574
Adjustments for share options	622,548
Weighted average number of ordinary shares for diluted earnings per share	2,953,720,122

7. SHARE CAPITAL AND PREMIUM

	Number of issued shares (in thousands)	Ordinary shares HK\$'000	Share premium HK\$'000	Total HK\$'000
As at 1 January 2010	2,954,123	29,541	495,488	525,029
Issue of shares through:				
Exercise of Options in respect of acquisition of subsidiaries	20,000	200	2,800	3,000
Issue of Consideration Shares in respect of acquisition of subsidiaries	200,000	2,000	166,000	168,000
Issue of Bonus Shares in respect of acquisition of subsidiaries	7,478	75	6,207	6,282
Issue of Consideration Shares in respect of acquisition of software copyright	9,202	92	1,603	1,695
Issue of Open Offer Shares	638,161	6,382	178,685	185,067
Transaction costs attributable to issue of Open Offer Shares	—	—	(2,027)	(2,027)
Transfer upon exercise of options in respect of acquisition of subsidiaries	—	—	14,461	14,461
As at 30 September 2010	3,828,964	38,290	863,217	901,507

The total authorized number of ordinary shares is 10,000,000,000 shares (2009: 10,000,000,000 shares) with a par value of HK\$0.01 per share (2009: HK\$0.01 per share). All issued shares are fully paid.

The ordinary shares issued during the period have the same rights as the other shares then in issue.

8. DIVIDEND

The Directors do not recommend the payment of a dividend for the period ended 30 September 2010 (2009: nil).

BUSINESS REVIEW

For the third quarter of the year 2010, our Group operation was rather adversely affected by the Shenzhen subsidiaries; it is particularly owing to the news about tightened control by the PRC government and the China Securities and Futures Commission concerning the registration in the mainland China of practitioners in securities consultancy, stock information and research analysis services. The controlling measures were released in October 2010 finally. The news looming the securities consultancy industry have exerted unfavorable impact during the third quarter to medium-sized securities firms. Consequentially, the turnover for the three months ended 30 September 2010 amounted to approximately HK\$4.9 million, representing a decrease of approximately 79.1% from approximately HK\$23.4 million of the same period last year. For the nine months ended 30 September 2010, the revenue amounted to approximately HK\$42.05 million, representing a decrease of approximately 36.7% from approximately HK\$66.46 million for the same period last year. The First China Securities Consultancy (Shenzhen) Co., Ltd. ("First China Shenzhen"), the Group's wholly owned subsidiary in Shenzhen, was the main contributor to the Group's turnover.

FINANCIAL REVIEW


The Group recorded an unaudited turnover of approximately HK\$42.05 million for the nine months ended 30 September 2010 compared with that of approximately HK\$66.46 million for the corresponding period in 2009. All in all, the turnover has been down by approximately 36.7%, caused by the fall in the income from provision of stock information and research analysis services. The reason is as mentioned above — the PRC government tightening the control on the practitioners providing these kinds of consultancy service, exacerbating the situations where the stock trades had been less fluctuating for the period under review, and fewer people seeking securities consultancy service. It also caused minimal sale volume in the stock e-expert software.

There has been improvement, however, in commission income from securities and futures brokerage. It has risen by 28.9% to approximately HK\$10.42 million from approximately HK\$8.08 million for the same nine-month period last year. During the second quarter of 2010, the Group had disposed of its futures contract business. While the turnover for the third quarter of 2010 did not include the futures contract business's, commission income, in proportion to the total turnover, has dramatically increased compared with that for the same three-month third quarter period last year; we had recruited some experienced stockbrokers and maintained the business of certain institutional investors since the first quarter of last year so the resultant benefit continued to take effect.

For the nine months ended 30 September 2010, loss attributable to the shareholders was approximately HK\$40.67 million, compared with a profit of approximately HK\$2.66 million for the same period last year. The loss, none the less, comprises a share-based compensation expenses as a result of issuing share options to certain eligible persons in the second quarter of 2010. The expense amounted to approximately HK\$23.3 million. It was reflected immediately upon issue of the options only once. It does not affect the performance for the third quarter of 2010.

OUTLOOK

As discussed in our interim report 2010, upon issue of share options and open offer successfully launched, we have tried to diversify our business. We have gradually divested certain businesses, including the bullions business last year, as well as the futures business this year. Equipped with cash upon the open offer, we have begun discussion with certain potential investment opportunities. On 2 August 2010, a wholly owned subsidiary of the Company entered into a memorandum of understanding with certain independent third parties (the "Vendors") in relation to acquiring 20% equity interest in a sino-foreign equity joint venture ("JV"). According to the Vendors, the JV holds an exploitation permit with exploitation right in respect of certain iron and copper ore mining site situated in mainland China. The principal terms are set out in the announcement published on 4 August 2010. As far as possible, we will keep the projects in progress to usher in value for the shareholders.



While our securities trading business continues to be an important portion of our total turnover, in a bid to attain an optimal economies of scale, we had decided to move to a more strategic location. On 15 October 2010 and 5 November 2010, our Group entered into two binding provisional agreements respectively for acquiring two properties at considerations of HK\$38.46 million and HK\$39.80 million respectively (excluding the stamp duties payable). The Group intends to use the properties as our office premises located in Central. It is believed to be facilitating our business plan because it will help secure a better working environment in alliance with various potential strategic partners in the same location. In addition, it will enable the Group to achieve a considerable rental savings rather than the present situation when our Group is operating in two offices in a mode of paying rents. The property vendors were independent third parties. The principal terms of the provisional agreements are set out in two announcements published on 15 October 2010 and 5 November 2010 respectively.

Although the uncertainty in the mainland China out of more emphasis on the vigor in regulatory observance by the practitioners in the securities industry cast doubt on our subsidiary's PRC business environment, clouding the prospect about the income stream as our Shenzhen office used to bring to our group, in view of the recent good stock market, and the index reaching another pinnacle in recent months, our core business in securities trading ensue with optimistic prospects.

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

As at 30 September 2010, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in shares of the Company

Name of Director	Number of shares			Approximate percentage of shareholding
	Personal Interests	Corporate Interests	Total	
Wang Wenming	595,328,957 (Note 1)	162,410,095 (Note 2)	757,739,052	19.79%
Lee Yiu Sun	110,060,000	—	110,060,000	2.87%
Liu Runtong	2,646,000	—	2,646,000	0.07%

Notes:

- (1) Mr. Wang Wenming held 450,212,307 shares of the Company. Ms. Chen Dongjin, the spouse of Mr. Wang Wenming, held 145,116,650 shares of the Company. As such, Mr. Wang Wenming was deemed to be interested in 595,328,957 shares of the Company.
- (2) These 162,410,095 shares were held by Fame Treasure Limited in which Mr. Wang Wenming had a controlling interest. Mr. Wang Wenming is deemed to be interested in the shares held by Fame Treasure Limited by virtue of Part XV of the SFO.

(b) Long positions in underlying shares of the Company

(i) Share option scheme of the Company

Pursuant to the share option scheme adopted by the Company on 17 December 2001 (the "Share Option Scheme"), the Directors and chief executive were granted share options to subscribe for shares of the Company, the details of which as at 30 September 2010 were as follows:

Name of Director	Date of grant	Number of share options				Outstanding as at 30 September 2010	Option period	Exercise price (note 3) (HK\$)
		Outstanding as at 1 January 2010	Granted during the period	Exercised during the period	Cancelled/lapsed during the period			
Wang Wenming	13/04/2010	—	11,682,577	—	—	11,682,577	13/04/2010–12/04/2020	0.419
Lee Yiu Sun	13/04/2010	—	31,861,575	—	—	31,861,575	13/04/2010–12/04/2020	0.419
Lee Yiu Sun	05/09/2007	4,000,000	248,210	—	—	4,248,210	05/09/2007–04/09/2017	0.215
Liu Runtong	13/04/2010	—	31,861,575	—	—	31,861,575	13/04/2010–12/04/2020	0.419
Tsang Hing Lun	13/04/2010	—	3,186,158	—	—	3,186,158	13/04/2010–12/04/2020	0.419
Zhang Benzhen	13/04/2010	—	2,124,105	—	—	2,124,105	13/04/2010–12/04/2020	0.419

Note:

- (3) After the date of grant, as a result of completion of an Open Offer, the exercise price and the number of shares to be issued upon exercise of these outstanding share options have been adjusted with effect from 15 June 2010. Reference is made to the announcement dated 15 June 2010.

(ii) *Agreement and Subscription Agreement involving granting of share options*

Pursuant to the Agreement dated 11 July 2007 and the Supplementary Agreement dated 30 July 2007 relating to the acquisition of the entire shareholding of GoHi Holdings Limited (collectively the "Agreements"), the Company granted to Mr. Wang Wenming an option to subscribe for 20,000,000 shares of the Company at an exercise price of HK\$0.15 per share in each of the 12-month periods ending 30 June 2008, 2009 and 2010 respectively (i.e. a maximum of 60,000,000 shares) subject to the fulfillment of certain conditions as stipulated in the Agreements. With the fulfillment of the said conditions for the 12-month period ended 30 June 2008, an option to subscribe for 20,000,000 shares was granted to Mr. Wang Wenming who exercised the options and was allotted 20,000,000 shares on 15 January 2009. With the fulfillment of the said conditions for the 12-month period ended 30 June 2009, another option to subscribe for 20,000,000 shares was granted to Mr. Wang Wenming who exercised the options and was allotted 20,000,000 shares on 26 February 2010.

Accordingly, pursuant to the aforesaid Agreements, the remaining option to subscribe for the shares of the Company which has not yet been exercised is 20,000,000 shares of the Company.

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

(c) Short positions in underlying shares of the Company

Name of Director	Number of shares		Approximate percentage of shareholding
	Personal Interests	Corporate Interests	
Lee Yiu Sun	50,000,000 (note 4)	—	1.30%

Note:

- (4) Pursuant to an option deed dated 31 August 2005, Asia Network Holdings Limited entered into an option deed with Mr. Lee Yiu Sun ("Mr. Lee") whereby Mr. Lee granted Asia Network Holdings Limited an option to purchase all or part of his 50,000,000 shares in the Company at such time and such price when Mr. Lee intends to transfer or dispose of all or part of the shares to any person during the period commencing on 31 August 2005 till the date when Mr. Lee ceases to be interested in the shares.

Save as disclosed above, during the period, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (iii) are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to any Directors of the Company, as at 30 September 2010, the following persons (not being a Director of the Company) had interests in the shares or underlying shares which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO:

(a) Long positions in shares of the Company

Name of shareholders	Capacity	Number of shares	Approximate percentage of shareholding
Wang Wenming and Chen Dongjin (note 1)	Beneficial owners	595,328,957	15.55%

Note:

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

(b) Long positions in underlying shares of the Company

Name of shareholders	Capacity	Number of shares	Approximate percentage of shareholding
Wang Wenming and Chen Dongjin	Beneficial owners	20,000,000 (note 2)	0.52%
	Beneficial owners	11,682,577 (note 3)	0.31%

Notes:

- (2) On 16th November, 2007, Mr. Wang Wenming was granted an option which entitles him to subscribe up to 60,000,000 shares of the Company subject to the fulfillment of the conditions as stipulated in the Agreement dated 11 July 2007 and the Supplemental Agreement dated 30 July 2007 relating to the acquisition of the entire shareholding of GoHi Holdings Limited by the Group. As Ms. Chen Dongjin is the spouse of Mr. Wang Wenming, she is deemed to be interested in the said option granted to Mr. Wang Wenming. With the fulfillment of the said conditions for the 12-month period ended 30 June 2008, an option to subscribe for 20,000,000 shares was granted to Mr. Wang Wenming who exercised the options and was allotted 20,000,000 shares on 15 January 2009. With the fulfillment of the said conditions for the 12-month period ended 30 June 2009, another option to subscribe for 20,000,000 shares was granted to Mr. Wang Wenming who exercised the options and was allotted 20,000,000 shares on 26 February 2010.

Accordingly, pursuant to the aforesaid Agreements, the remaining option to subscribe for the shares of the Company which has not yet been exercised is 20,000,000 shares of the Company.

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

Save as disclosed above, as at 30 September 2010, the Company had not been notified of any other person (other than the Directors whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above) who had an interest or short position in the shares or underlying shares of the Company and was required to be recorded in the register required to be kept under Section 336 of the SFO and/or was directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

DETAILS OF THE OPTIONS GRANTED BY THE COMPANY

(a) Share Option Scheme of the Company

The Company operates the Share Option Scheme under which the persons working for the interest of the Group are entitled to an opportunity to obtain equity interest in the Company. The number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes is not permitted to exceed 30% of the shares of the Company in issue from time to time, without prior approval from the Company's shareholders.

The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted pursuant to the Share Option Scheme and any other share option schemes of the Company to any person (including both exercised and outstanding options) in any 12-month period up to the date of grant of the options shall not exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders.

On 5 September 2007 and 13 April 2010, options to subscribe for 32,400,000 and 84,000,000 shares of the Company respectively were granted to the Directors and certain employees of the Company. As at 30 September 2010, details of the outstanding options were as follows:

Date of grant	Number of share options					Outstanding as at 30 September 2010 (note)	Option period	Exercise price (note) (HK\$)
	Outstanding as at 1 January 2010	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding as at 30 September 2010			
13/04/2010	—	80,715,990	—	—	80,715,990	13/04/2010– 12/04/2020	0.419	
05/09/2007	4,000,000	248,210	—	—	4,248,210	05/09/2007– 04/09/2017	0.215	

Note:

After the date of grant, as a result of completion of an Open Offer, the exercise price and the number of shares to be issued upon exercise of these outstanding share options have been adjusted with effect from 15 June 2010. Reference is made to the announcement dated 15 June 2010.

(b) Agreement and Supplemental Agreement involving granting of share options

Pursuant to the Agreement dated 11 July 2007 and the Supplementary Agreement dated 30 July 2007 relating to the acquisition of the entire shareholding of GoHi Holdings Limited, the Company granted to Mr. Wang Wenming an option to subscribe for 20,000,000 shares of the Company at an exercise price of HK\$0.15 per share in each of the 12-month periods ending 30 June 2008, 2009 and 2010 respectively (i.e. a maximum of 60,000,000 shares) subject to the fulfillment of certain conditions as stipulated in the Agreements. With the fulfillment of the said conditions for the 12-month period ended 30 June 2008, an option to subscribe for 20,000,000 shares was granted to Mr. Wang Wenming who exercised the options and was allotted 20,000,000 shares on 15 January 2009. With the fulfillment of the said conditions for the 12-month period ended 30 June 2009, another option to subscribe for 20,000,000 shares was granted to Mr. Wang Wenming who exercised the options and was allotted 20,000,000 shares on 26 February 2010.

Accordingly, pursuant to the aforesaid Agreements, the remaining option to subscribe for the shares of the Company which has not yet been exercised is 20,000,000 shares of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company's Directors have complied with such code of conduct and the required standard of dealings.

AUDIT COMMITTEE

The Audit Committee has reviewed the financial statements of the Group for the nine months period ended 30 September 2010 pursuant to the relevant provisions contained in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure has been made in respect thereof.

On behalf of the Board

First China Financial Network Holdings Limited

Lee Yiu Sun

Executive Director

Hong Kong, 10 November 2010