



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



THIRD QUARTERLY REPORT 2015

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

This report, for which the directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; (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\$25,112,000 for the nine months ended 30 September 2015.

Loss for the nine months ended 30 September 2015 was approximately HK\$21,811,000.

Loss attributable to owners of the Company for the nine months ended 30 September 2015 amounted to approximately HK\$23,681,000.

Both basic and diluted loss per share were 0.36 HK cents.

The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2015.

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 2015 together with the comparative unaudited figures for the corresponding period in 2014.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Three months ended 30 September		Nine months ended 30 September	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	3	10,320	12,590	25,112	29,382
Cost of sales		(898)	(222)	(937)	(253)
Gross profit		9,422	12,368	24,175	29,129
Other income and net loss	4	(64,626)	50	(18,336)	280
Employee benefits expenses		(8,625)	(13,842)	(28,234)	(26,933)
Depreciation of property, plant and equipment		(1,099)	(1,072)	(3,166)	(3,166)
Amortization of intangible assets		(518)	-	(1,573)	-
Finance costs		(86)	(98)	(265)	(305)
Other operating expenses		(6,808)	(6,002)	(20,576)	(20,711)
Share of profit of associate		16,729	2,831	27,143	884
Loss before income tax		(55,611)	(5,765)	(20,832)	(20,822)
Income tax expense	5	9,950	-	(979)	(9)
Loss for the period		(45,661)	(5,765)	(21,811)	(20,831)
Other comprehensive income: <i>Items that may be reclassified to profit or loss</i>					
Currency translation differences		(7,773)	2,545	(7,897)	1,499

	Note	Three months ended 30 September		Nine months ended 30 September	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Other comprehensive (expense)/income for the period, net of tax		(7,773)	2,545	(7,897)	1,499
Total comprehensive expense for the period		(53,434)	(3,220)	(29,708)	(19,332)
Loss for the period attributable to:					
Owners of the Company		(46,206)	(8,224)	(23,681)	(23,298)
Non-controlling interests		545	2,459	1,870	2,467
		(45,661)	(5,765)	(21,811)	(20,831)
Total comprehensive expense for the period attributable to:					
Owners of the Company		(53,947)	(5,687)	(31,550)	(21,806)
Non-controlling interests		513	2,467	1,842	2,474
		(53,434)	(3,220)	(29,708)	(19,332)
Loss per share attributable to owners of the Company for the period:					
Basic loss per share (HK cents)	6	(0.71)	(0.17)	(0.36)	(0.50)
Diluted loss per share (HK cents)	6	(0.71)	(0.17)	(0.36)	(0.50)

Condensed Consolidated Statements of Changes in Equity

For the nine months ended 30 September 2015

	Attributable to owners of the Company									
	Share capital HK\$'000 (unaudited)	Share premium HK\$'000 (unaudited)	Special reserve HK\$'000 (unaudited)	Translation reserve HK\$'000 (unaudited)	Warrants reserve HK\$'000 (unaudited)	Share-based compensation reserve HK\$'000 (unaudited)	Accumulated losses HK\$'000 (unaudited)	Total HK\$'000 (unaudited)	Non-controlling interests HK\$'000 (unaudited)	Total equity HK\$'000 (unaudited)
Balance as at 1 January 2014	44,590	1,075,500	4,779	10,791	223	23,255	(1,042,987)	116,151	2,607	118,758
Total comprehensive expense for the period	-	-	-	1,492	-	-	(23,298)	(21,806)	2,474	(19,332)
Equity-settled share option arrangements	-	-	-	-	-	7,110	-	7,110	-	7,110
Issue of shares upon exercise of warrant	4,500	51,300	-	-	-	-	-	55,800	-	55,800
Transfer upon exercise of warrant	-	126	-	-	(126)	-	-	-	-	-
Issue of shares related with business combined	3,500	101,500	-	-	-	-	-	105,000	-	105,000
Transaction costs attributable to issue of shares	-	(151)	-	-	-	-	-	(151)	-	(151)
Balance as at 30 September 2014	52,590	1,228,275	4,779	12,283	97	30,365	(1,066,285)	262,104	5,081	267,185

	Attributable to owners of the Company									
	Share capital HK\$'000 (unaudited)	Share premium HK\$'000 (unaudited)	Special reserve HK\$'000 (unaudited)	Translation reserve HK\$'000 (unaudited)	Share-based compensation reserve HK\$'000 (unaudited)	Accumulated losses HK\$'000 (unaudited)	Total HK\$'000 (unaudited)	Non-controlling interests HK\$'000 (unaudited)	Total equity HK\$'000 (unaudited)	
Balance as at 1 January 2015	64,989	1,614,799	4,779	10,039	29,833	(928,447)	795,992	5,268	801,260	
Total comprehensive expense for the period	-	-	-	(7,869)	-	(23,681)	(31,550)	1,842	(29,708)	
Equity-settled share options arrangement	-	-	-	-	4,393	-	4,393	-	4,393	
Share options lapsed and forfeited	-	-	-	-	(1,297)	787	(510)	-	(510)	
Balance as at 30 September 2015	64,989	1,614,799	4,779	2,170	32,929	(951,341)	768,325	7,110	775,435	

Notes:

1. General Information

First China Financial Network Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) is principally engaged in (i) provision of the precious metals spot trading and brokerage services in the People’s Republic of China (the “PRC”), (ii) provision of securities and futures contracts trading services and wealth management services in Hong Kong, (iii) trading and principal investments in the PRC and Hong Kong, (iv) provision of a trading platform in the PRC and Hong Kong, (v) research, exploration and development of the student safety network project and the electronic student card in the PRC, and (vi) provision of stock information and research services through the internet network in 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”).

The unaudited condensed 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 unaudited condensed consolidated financial statements. These unaudited condensed consolidated financial statements have been approved and authorized for issue by the board of Directors on 6 November 2015.

2. Basis of Preparation

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

In addition, the unaudited condensed consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The principal accounting policies applied in the preparation of these unaudited condensed consolidated financial statements were consistent with those applied for the financial statements of the Group for the year ended 31 December 2014.

3. Revenue

An analysis of the Group's revenue for the period is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Commission income from securities and futures brokerage	408	496	1,870	1,099
Commission income from precious metals brokerage	1,127	3,674	5,332	11,548
Spot trading profits on precious metals contracts, net	3,516	6,895	11,530	14,920
Trading of electronic student cards and school safety products	1,470	206	2,254	206
Interest income from clients	268	73	764	323
Net profit on trading of securities	3,236	1,084	2,591	1,084
Income from provision of wealth management services	–	–	–	8
Consultancy fee income	295	162	771	194
	10,320	12,590	25,112	29,382

4. Other Income and Net Loss

	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other income				
CCASS fee income	9	8	34	20
Handling fee income	9	17	33	177
Interest income on bank deposits	44	5	306	40
Dividend income	1,415	1	3,347	1
Sundry income	1,401	19	1,805	42
	2,878	50	5,525	280
Other net loss				
Financial assets at fair value through profit or loss				
– Fair value loss on securities trading	(67,504)	–	(23,861)	–
	(64,626)	50	(18,336)	280

5. Income Tax Expense

	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current income tax:				
Current tax on profits for the period				
– PRC Enterprise Income Tax	(5)	–	979	–
Deferred income tax:				
– Current period	(9,945)	–	–	–
	(9,950)	–	979	–

Hong Kong Profits Tax has been provided at the rate of 16.5% (2014: 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 unaudited condensed consolidated financial statements as the Group incurred a tax loss for the period (2014: 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 Per Share

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	Nine months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share	(23,681)	(23,298)
Number of shares		
Weighted average number of ordinary shares in issue for calculating basic earnings/(loss) per share	6,498,958,120	4,625,260,486
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	2,246,350	221,328,365
Weighted average number of ordinary shares in issue for calculating diluted earnings per share	6,501,204,470	4,846,588,851

The computation of diluted loss per share for the period ended 30 September 2015 and 2014 does not assume the exercise of the Company's share options and warrants outstanding during the period ended 30 September 2015 and 2014 since their exercise would result in a decrease in loss per share.

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 2015 and as at 30 September 2015	6,498,958	64,989	1,614,799	1,679,788

The total authorized number of ordinary shares is 10,000,000,000 shares (2014: 10,000,000,000 shares) with a par value of HK\$0.01 per share (2014: HK\$0.01 per share). All issued shares are fully paid.

8. Dividend

The Directors do not recommend the payment of a dividend for the period ended 30 September 2015 (2014: Nil).

Business Review

The Group in the nine months ended 30 September 2015 recorded a turnover of approximately HK\$25.11 million, which was a decrease of approximately HK\$4.27 million compared with the last corresponding period. Such decrease mainly came from decrease of commission income from precious metals brokerage and spot trading profits on precious metals contracts.

深圳前海首華國際商品交易中心有限公司 (transliterated as Shenzhen Qianhai First China International Commodities Exchange Centre Limited), an associated company of the Group with 38% shareholding, recorded a share of profit of approximately HK\$27.14 million for the Group for the period under review.

For proprietary stock trading, the Group recorded an unrealized loss of approximately HK\$23.86 million and realized gain of approximately HK\$2.59 million for the nine months ended 30 September 2015. It was due to Hong Kong stock market crash in the third quarter of 2015.

In August 2015, the Group has entered into the framework investment agreement with the People's Government of Fushun City, Liaoning Province, PRC concerning the proposed investment in a bulk commodity trading centre pursuant to the terms and conditions of the framework investment agreement which were stated in the announcement of the Company dated 14 August 2015.

Reference is made to the announcement of the Company dated 3 February 2015 relating to the entering into of the agreement for intent in respect of the proposed acquisition of 100% of the registered capital of 民勤量子新能源有限公司 (transliterated as Minqin Quantum New Energy Co. Ltd.) ("Minqin"). Upon further deliberations of the issues in the proposed acquisition, there were certain issues relating to the due diligence review which cannot be resolved to the satisfaction of the Company, the parties thereunder mutually agreed to terminate the agreement for intent and entered into the termination agreement on 29 May 2015.

According to the termination agreement, refundable earnest money of RMB20.00 million should be repaid by Yang Shunhong, one of the vendors, to 首華證券諮詢(深圳)有限公司 (transliterated as First China Securities Consultancy (Shenzhen) Co., Ltd.) (“Shenzhen First China”) on 28 August 2015. At the requested of Yang Shunhong to extend the repayment of refundable earnest money, Shenzhen First China entered into a supplemental agreement with three of the vendors on 17 September 2015 to extend the repayment date of the refundable earnest money to 30 November 2015.

Financial Review

The Group recorded an unaudited revenue of approximately HK\$25.11 million for the nine months ended 30 September 2015, compared with that of approximately HK\$29.38 million, decreased approximately HK\$4.27 million or 14.5%, with the corresponding period in 2014. The decrease in revenue was mainly due to the drop in the precious metals spot trading and brokerage business which operated in the PRC.

For the period under review, the commission income from precious metals brokerage, decreased 53.9%, recorded approximately HK\$5.33 million and the spot trading profits on precious metal contracts, decreased 22.7%, recorded approximately HK\$11.53 million compared with approximately HK\$11.55 million and approximately HK\$14.92 million respectively for the same period of last year.

Follow the market of the PRC, the equity market of Hong Kong tumbled to its lowest level since June 2013 for the third quarter of current year, resulting the Group suffered an unaudited unrealized fair value loss on listed equity investment of approximately HK\$23.86 million in the period for the nine months ended 30 September 2015.

Benefit from the strong performance of an associate which engaged in provision of trading platform for precious metal and commodities, and provision of related consultancy services in the PRC, the Group recorded approximately HK\$27.14 million from share of profit for the nine months ended 30 September 2015.

The Group recorded an unaudited loss for approximately HK\$21.81 million for the nine months ended 30 September 2015, increased approximately HK\$0.98 million or 4.7% compared with the correspondence period in 2014. In summary, the unaudited basic loss per share for the reporting period attributable to owners of the Company were approximately 0.36 HK cents while the basic loss per share was approximately 0.50 HK cents for the same period last year.

Outlook

Over 60% revenue of the Group came from the segments of precious metals trading business. Through the investment market sentiment in China, the Group will continue to develop and expand precious metals trading business.

In addition, although Hong Kong and China stock markets declined in the third quarter of 2015, the Group is confident and optimistic about the prospects of the stock markets. Proprietary stock trading is one of the businesses of our Group, we will closely monitor the changes in the stock markets in order to increase profit or prevent the loss for the Group.

As mentioned above, the Group has entered into the framework investment agreement with the People's Government of Fushun City concerning the proposed investment in a bulk commodity trading centre. The Group holds the view that it is an opportunity for the Group to expand its business in the commodities trading industry, which may provide stable income and cash flow stream for the Group.

As mentioned in the Company's announcement dated 30 January 2015, Shenzhen First China would pay refundable earnest money of RMB20.00 million to the vendors with one of the conditions that after the execution of pledge of Minqin's major equipment in favor of Shenzhen First China. On 13 October 2015, a writ was received by Shenzhen First China in which was issued by the People's Court of Minqin County in the PRC against Minqin and Shenzhen First China. According to the statement of claim under the writ, 新疆特變電工自控設備有限公司 (transliterated as Xinjiang Tebian Electric Apparatus Zikong Equipment Co., Limited), a supplier of Minqin and a plaintiff, alleged that they remains as the holder of the major equipment and requests the pledge of Minqin's major equipment to Shenzhen First China is invalid since Minqin is still not make full payment in a series of sales agreements entered with them. The Group is in the process of seeking legal advice from its PRC legal adviser and this litigation does not have material impact on the normal operation of the Group. For more details, please refer to the Company's announcement dated 14 October 2015.

The Group will continue to seek other new business opportunities to enhance the Group's revenue.

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

As at 30 September 2015, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in shares of the Company

Name of Directors	Number of shares			Total	Approximate percentage of shareholding
	Personal Interests	Family Interests	Corporate Interests		
Wang Jiawei	202,043,628	-	-	202,043,628	3.11%
Lai Yuk Mui	2,780,127	-	-	2,780,127	0.04%
Liu Runtong	2,646,000	-	-	2,646,000	0.04%

(b) Long positions in underlying shares of the Company

Share option scheme of the Company

The share option scheme adopted by the Company on 17 December 2001 (the "Old Share Option Scheme") has expired on 16 December 2011. The Company adopted a new share option scheme on its Annual General Meeting held on 21 June 2012 (the "New Share Option Scheme") which complies with Chapter 23 of GEM Listing Rules.

The following table discloses the details of the share options held by the Directors and chief executive to subscribe for shares of the Company during the period ended 30 September 2015:

Name of Director	Date of grant	Number of share options					Option period	Exercise price (HK\$)
		Outstanding as at 1 January 2015	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding as at 30 September 2015		
Liu Runtong	13/04/2010	31,861,575	-	-	-	31,861,575	13/04/2010 – 12/04/2020	0.419
Zhang Benzhen	13/04/2010	2,124,105	-	-	-	2,124,105	13/04/2010 – 12/04/2020	0.419
Haroon Hasan	22/09/2014	10,000,000	-	-	10,000,000 (Note 1)	-	22/09/2014 – 21/09/2024	0.518
James Beeland Rogers Jr.	22/09/2014	20,000,000	-	-	-	20,000,000	22/09/2014 – 21/09/2024	0.518
Chen Li	13/11/2014	15,000,000	-	-	-	15,000,000	13/11/2014 – 12/11/2024	0.590

Note:

- (1) With effect from 4 February 2015, Mr. Haroon Hasan resigned as an executive Director of the Company. Accordingly his entitlement to share option lapsed on the same date. Reference is made to the announcement of the Company dated 4 February 2015.

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

(c) Short positions in underlying shares of the Company

No short positions of directors and chief executives in the underlying shares of the equity derivatives of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

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 2015, the following persons (not being a Director or chief executive of the Company) had interests in the shares or underlying shares which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO:

(a) Long positions in shares of the Company

Name of shareholders	Capacity	Number of shares	Approximate percentage of shareholding
Wang Wenming and Chen Dongjin (Note 1)	Beneficial owners	595,328,957	9.16%
Zhu Wei	Beneficial owners	350,004,000	5.39%

Note:

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

(b) Long positions in underlying shares of the Company

Name of shareholders	Capacity	Number of shares	Approximate percentage of shareholding
Wang Wenming and Chen Dongjin (Note 2 and 3)	Beneficial owners	11,682,577	0.18%

Note:

- (2) Pursuant to the Old Share Option Scheme, Mr. Wang Wenming was granted share options on 13 April 2010, 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.
- (3) With effect from 22 September 2015, Mr. Wang Wenming resigned as an executive Director of the Company.

Save as disclosed above, as at 30 September 2015, 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 Share Options Granted by the Company

Share Option Scheme of the Company

The Company operates the Share Option Scheme under which the persons working for the interest of the Group are entitled to an opportunity to obtain equity interest in the Company. The Old Share Option Scheme has expired on 16 December 2011 and The Company adopted a New Share Option Scheme which complies with Chapter 23 of GEM Listing Rules.

The outstanding options granted under the Old Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects. The provisions of the Old Share Option Scheme shall remain in full force and effect notwithstanding the expiry of the Old Share Option Scheme.

The New Share Option Scheme will remain valid for a period of 10 years commencing on 21 June 2012 and in such event, no further options will be offered but the provisions of the New Share Option Scheme shall in all other respects remain in full force and effect.

The number of shares in respect of which options may be granted under the share option scheme and any other share option schemes are not permitted to exceed 30% of the shares of the Company in issue from time to time, without prior approval from the Company's shareholders.

On 5 September 2007, 13 April 2010, 22 September 2014 and 13 November 2014, options to subscribe for 32,400,000 shares, 84,000,000 shares, 30,000,000 shares and 15,000,000 shares of the Company respectively were granted to the Directors and certain employees of the Company. As at 30 September 2015, details of the outstanding share options were as follows:

Date of grant	Number of share options					Option period	Exercise price (HK\$)
	Outstanding as at 1 January 2015 (Note 1)	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding as at 30 September 2015 (Note 1)		
05/09/2007	4,779,236	-	-	-	4,779,236	05/09/2007 – 04/09/2017	0.215
13/04/2010	86,026,253	-	-	-	86,026,253	13/04/2010 – 12/04/2020	0.419
22/09/2014	30,000,000	-	-	10,000,000 (Note 2)	20,000,000	22/09/2014 – 21/09/2024	0.518
13/11/2014	15,000,000	-	-	-	15,000,000	13/11/2014 – 12/11/2024	0.590

Notes:

- (1) Pursuant to the Old Share Option Scheme, 32,400,000 and 84,000,000 shares of share options were granted by the Company on 5 September 2007 and 13 April 2010 respectively and were adjusted on 15 June 2010.
- (2) With effect from 4 February 2015, Mr. Haroon Hasan resigned as an executive Director of the Company. Accordingly his entitlement to share option lapsed on the same date. Reference is made to the announcement of the Company dated 4 February 2015.

Directors' Interest in Competing Business

As at 30 September 2015, the Directors were not aware of any business or interest of each Director, management shareholder (as defined in the GEM Listing Rules) and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

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 Code on Corporate Governance Practice

The Company has applied the principles and has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules throughout the period under review, save and except for the following deviation.

Code Provision A.2.1

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Mr. Wang Jiawei is the chairman and chief executive officer of the Company. In view of Mr. Wang has extensive experience in project management and securities investments and is responsible for the overall corporate strategies, planning and business development of the Company. Under the supervision by the Board which is comprised of three independent non-executive Directors and two non-executive Directors, which represent more than half of the Board, the interests of the shareholders of the Company will be adequately and fairly represented.

Directors' Securities Transaction

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors of the Company confirmed that they have complied with the required standard dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the period under review.

Audit Committee

In compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, the Company has established an Audit Committee with written terms of reference which deal clearly with its authority and duties. The principal duties of the Audit Committee of the Company are to review and supervise the financial reporting process and internal control procedures of the Group.

The Audit Committee comprises 3 independent non-executive Directors, namely Professor Zhang Benzhen, Mr. Li Jianxing and Professor Chen Shu Wen.

The Audit Committee has reviewed the financial statements of the Group for the nine months ended 30 September 2015 pursuant to the relevant provisions contained in the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure has been made in respect thereof.

By order of the Board

First China Financial Network Holdings Limited

Wang Jiawei

Chairman

Hong Kong, 6 November 2015

As of the date of this report, the executive Directors are Mr. Wang Jiawei, Mr. Chen Li and Ms. Lai Yuk Mui, the non-executive Directors are Mr. Liu Runtong and Mr. James Beeland Rogers Jr. and the independent non-executive Directors are Professor Zhang Benzhen, Mr. Li Jianxing and Professor Chen Shu Wen.