



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

2016

FIRST 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.**

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*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\$2,814,000 for the three months ended 31 March 2016.

Loss for the three months ended 31 March 2016 was approximately HK\$28,213,000.

Loss attributable to owners of the Company for the three months ended 31 March 2016 amounted to approximately HK\$27,753,000.

Basic loss per share was 0.43 HK cents and diluted loss per share was 0.43 HK cents.

The Directors do not recommend the payment of a dividend for the three months ended 31 March 2016.

## First Quarterly Results (Unaudited)

The board of Directors of the Company (the "Board") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months ended 31 March 2016 together with the comparative unaudited figures for the corresponding period in 2015.

### Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Three months ended 31 March	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	3	2,814	6,300
Cost of sales		(1,224)	(14)
Gross profits		1,590	6,286
Other income and net (loss)/gains	4	(8,108)	31,508
Employee benefits expenses		(7,090)	(10,352)
Depreciation of property, plant and equipment		(1,441)	(1,005)
Amortization of intangible assets		(4,428)	(525)
Finance costs		(78)	(91)
Other operating expenses		(6,239)	(6,607)
Share of loss or profit of associate		(2,419)	3,852
(Loss)/profit before income tax		(28,213)	23,066
Income tax expense	5	-	-
<b>(Loss)/profit for the period</b>		<b>(28,213)</b>	23,066
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		2,150	32

	Note	Three months ended	
		31 March	
		2016	2015
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Other comprehensive income for the period, net of tax		2,150	32
Total comprehensive (loss)/income for the period		(26,063)	23,098
<b>(Loss)/profit for the period attributable to:</b>			
Owners of the Company		(27,753)	22,308
Non-controlling interests		(460)	758
		(28,213)	23,066
<b>Total comprehensive (loss)/income for the period attributable to:</b>			
Owners of the Company		(25,600)	22,335
Non-controlling interests		(463)	763
		(26,063)	23,098
<b>(Loss)/earnings per share attributable to owners of the Company for the period:</b>			
Basic (loss)/earnings per share (HK cents)			
From (loss)/profit for the period	6	(0.43)	0.34
Diluted (loss)/earnings per share (HK cents)			
From (loss)/profit for the period	6	(0.43)	0.34

# Condensed Statements of Changes in Equity

For the three months ended 31 March 2016

	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		Total HK\$'000 (unaudited)	Non-controlling interests HK\$'000 (unaudited)	Total equity HK\$'000 (unaudited)
					reserve	Accumulated losses			
					HK\$'000 (unaudited)	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 income for the period	-	-	-	27	-	22,308	22,335	763	23,098
Equity-settled share option arrangements	-	-	-	-	2,646	-	2,646	-	2,646
Transfer of share-based compensation reverse upon the forfeiture or expiry of share options	-	-	-	-	(1,297)	1,297	-	-	-
Balance as at 31 March 2015	64,989	1,614,799	4,779	10,066	31,182	(904,842)	820,973	6,031	827,004

	Attributable to owners of the Company									
	Share capital HK\$'000 (unaudited)	Share premium HK\$'000 (unaudited)	Special reserve HK\$'000 (unaudited)	Statutory reserve HK\$'000 (unaudited)	Translation reserve HK\$'000 (unaudited)	Share-based compensation		Total HK\$'000 (unaudited)	Non-controlling interests HK\$'000 (unaudited)	Total equity HK\$'000 (unaudited)
						reserve	Accumulated losses			
						HK\$'000 (unaudited)	HK\$'000 (unaudited)			
Balance as at 1 January 2016	64,989	1,614,799	4,779	3,912	(4,497)	34,149	(994,422)	723,709	7,007	730,716
Total comprehensive loss for the period	-	-	-	-	2,153	-	(27,733)	(25,600)	(463)	(26,063)
Equity-settled share option arrangements	-	-	-	-	-	629	-	629	-	629
Balance as at 31 March 2016	64,989	1,614,799	4,779	3,912	(2,344)	34,778	(1,022,175)	698,738	6,544	705,282



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 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 trading platform, (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 May 2016.

## **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 included applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the applicable disclosure requirement of the Hong Kong Company Ordinance. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

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 2015.

### 3. Revenue

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

	Three months ended 31 March	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Commission income from securities and futures brokerage	170	366
Commission income from precious metals brokerage	772	2,492
Spot trading profits on precious metals contracts, net	427	3,310
Trading of electronic student cards and school safety products	1,785	53
Interest income from clients	109	140
Net loss on trading of securities	(728)	(280)
Consultancy fee income	279	219
	<b>2,814</b>	<b>6,300</b>

### 4. Other Income and Net (Loss)/Gains

	Three months ended 31 March	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
<b>Other income</b>		
CCASS fee income	4	9
Handling fee income	10	11
Interest income on bank deposits	89	146
Sundry income	81	386
	<b>184</b>	<b>552</b>
<b>Other (loss)/gains</b>		
Financial assets at fair value through profit or loss		
– Fair value (losses)/gains on securities trading	(8,292)	30,956
	<b>(8,292)</b>	<b>30,956</b>
	<b>(8,108)</b>	<b>31,508</b>



## 5. Income Tax Expense

Hong Kong Profits Tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the period. 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. No provision for Hong Kong and overseas Profits Tax have been made in the unaudited condensed consolidated financial statements as the Group incurred tax losses for the period (2015: Nil).

## 6. (Loss)/Earnings Per Share

The calculation of the basic and diluted (loss)/earnings per share attributable to owners of the Company are based on the following data:

	Three months ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>(Loss)/profit</b>		
(Loss)/profit for the purpose of basic and diluted (loss)/earnings per share	<b>(27,753)</b>	22,308
<b>Number of shares</b>		
Issued ordinary shares at 1 January	<b>6,498,958,120</b>	6,498,958,120
Weighted average number of ordinary shares in issue for calculating basic (loss)/earnings per share	<b>6,498,958,120</b>	6,498,958,120
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	<b>453,233</b>	5,994,337
Weighted average number of ordinary shares in issue for calculating diluted earnings per share	<b>6,499,411,353</b>	6,504,952,457
	Three months ended 31 March	
	2016	2015
	HK\$	HK\$
	(unaudited)	(unaudited)
(Loss)/earnings per share	<b>(0.0043)</b>	0.0034
Diluted (loss)/earnings per share	<b>(0.0043)</b>	0.0034

The computation of diluted loss per share for the period ended 31 March 2016 did not assume the exercise of the Company's share options outstanding during the period ended 31 March 2016 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 2016 and as at 31 March 2016	6,498,958	64,989	1,614,799	1,679,788

The total authorized number of ordinary shares is 10,000,000,000 shares (2015: 10,000,000,000 shares) with a par value of HK\$0.01 per share (2015: 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 31 March 2016 (2015: Nil).

## Business Review

The Group recorded a turnover of approximately HK\$2.81 million in the first three months of the year 2016, a decrease of approximately HK\$3.49 million compared with the corresponding period in 2015. This was mainly due to the decrease of commission income from precious metals brokerage and spot trading profits on precious metals contracts.

For proprietary trading of stock, the Group recorded an unrealized loss of approximately HK\$8.29 million and a realized loss of approximately HK\$0.73 million for the period under review.

Reference is made to the announcements of the Company dated 30 January 2015 and 3 February 2015 in relation to the entering into of the agreement for intent in respect of the proposed acquisition of 100% of the issued share capital of 民勤量子新能源有限公司 (transliterated as Minqin Quantum New Energy Co. Ltd.) (“Minqin”) and the payment of the refundable earnest money. 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, the 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 request of Yang Shunhong to extend the repayment date of the 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.

As of 30 November 2015, Yang Shunhong has still not repaid the refundable earnest money to Shenzhen First China. Therefore, Shenzhen First China filed an arbitration application to South China International Economic and Trade Arbitration Commission (Shenzhen Court of International Arbitration) (“SCIA”) against Yang Shunhong concerning the repayment of the refundable earnest money on 1 December 2015. The details of the request under the arbitration application were stated in the announcement of the Company dated 1 December 2015. The hearing of the arbitration application was commenced in the court of SCIA on 4 March 2016 and the result from the court of SCIA shall be announced by the Company as soon as available. For more details, please refer to the Company’s announcements dated 30 January 2015, 3 February 2015, 29 May 2015, 17 September 2015, 1 December 2015 and 16 February 2016.



## Financial Review

The Group recorded an unaudited revenue of approximately HK\$2.81 million for the three months ended 31 March 2016, compared with that of approximately HK\$6.30 million (a decrease of approximately HK\$3.49 million or 55.4%) in the corresponding period in 2015. The decrease in revenue was mainly due to the decline in the precious metals spot trading and brokerage business which operated in the PRC.

Due to the tightened policy of the PRC Government on regulating the precious metals trading and brokerage business of the PRC, in the period under review, the commission income from precious metals brokerage recorded approximately HK\$0.77 million and the spot trading profits on precious metal contracts recorded approximately HK\$0.43 million, representing a decrease of 69.1% from approximately HK\$2.49 million and a decrease of 87.0% from approximately HK\$3.31 million for the same period of last year respectively.

The segment of trading of electronic student cards and school safety products began to contribute to the Group. It recorded revenue of approximately HK\$1.79 million for the three months ended 31 March 2016, compared to approximately only HK\$0.05 million of revenue for the corresponding period in 2015.

The Group recorded an unaudited loss for the three months ended 31 March 2016 to approximately HK\$28.21 million, versus an unaudited profit of approximately HK\$23.07 million for the corresponding period in 2015. The significant change of this result was due to the fair value gains on securities trading of approximately HK\$30.96 million for the corresponding period in 2015 while the Group recorded the fair value loss on securities trading of approximately HK\$8.29 million for the period under review.

For the three months ended 31 March 2016, the basic loss per share attributable to owners of the Company was approximately 0.43 HK cents while the basic earnings per share was approximately 0.34 HK cents for the same period last year. The equity attributable to owners of the Company amounted to approximately HK\$698.74 million as at 31 March 2016, representing a decrease of approximately HK\$24.97 million, or 3.5% from that of 31 December 2015.



## Outlook

In the first quarter of year 2016, over 63% revenue of the Group came from the segments of trading of electronic student cards and school safety products. Since the customers tend and prefer to use BeiDou Navigation Satellite System (北斗衛星導航系統), the Company is planning to change the navigating chips of electronic cards and devices of the school safety network which are under development and testing to coordinate with the BeiDou Navigation Satellite System (北斗衛星導航系統). It is expected that such change can improve and enhance the revenue of the school safety network business.

Amid Hong Kong and China's stock markets downturn, the Group remains confident about prospects for the stock markets. Since trading and principal investments is one of the current businesses of our Group, the Group will continue to monitor changes in the stock markets in order to reduce the loss and increase profit for the Group.

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 31 March 2016, 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 Securities and Futures Ordinance ("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 31 March 2016:

Name of Director	Date of grant	Number of share options				Outstanding as at 31 March 2016	Option period	Exercise price (HK\$)
		Outstanding as at 1 January 2016	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period			
Lai Yuk Mui	13/04/2010	3,186,158	-	-	-	3,186,158	13/04/2010 – 12/04/2020	0.419
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
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
James Beeland Rogers Jr.	16/10/2015	20,000,000	-	-	-	20,000,000	16/10/2015 – 15/10/2025	0.238

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 31 March 2016, 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) Ms. Chen Dongjin held 145,116,650 shares of the Company. Ms. Chen Dongjin is the spouse of Mr. Wang Wenming who held 450,212,307 shares of the Company. As such, they were deemed to be collectively interested in 595,328,957 shares of the Company.

### (b) Long positions in underlying shares of the Company

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



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.

Save as disclosed above, as at 31 March 2016, 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, 13 November 2014 and 16 October 2015, options to subscribe for 32,400,000 shares, 84,000,000 shares, 30,000,000 shares, 15,000,000 shares and 20,000,000 shares of the Company respectively were granted to the Directors and certain employees of the Company. As at 31 March 2016, details of the outstanding options were as follows:

Date of grant	Number of share options					Option period	Exercise price (HK\$)
	Outstanding as at 1 January 2016 (Note 1)	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding as at 31 March 2016 (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	20,000,000	-	-	-	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
16/10/2015	20,000,000	-	-	-	20,000,000	16/10/2015 – 15/10/2025	0.238

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.

## Directors' Interest in Competing Business

As at 31 March 2016, 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.

## **Directors' Securities Transaction**

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

## **Compliance with Code on Corporate Governance Practice**

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



## **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 three 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 three months ended 31 March 2016 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 May 2016

*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.*