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8 Counsel for Plaintiff

9 UNITED STATES DISTRICT COURT
10 CENTRAL DISTRICT OF CALIFORNIA

11 THUC PHAM, Individually and on
12 behalf of all others similarly situated,

13 Plaintiff,

14 v.

15 CHINA FINANCE ONLINE CO.
16 LIMITED, ZHIWEI ZHAO and JUN
17 WANG,

18 Defendants.

Case No:

**CLASS ACTION COMPLAINT FOR
VIOLATION OF THE FEDERAL
SECURITIES LAWS**

JURY TRIAL DEMANDED

19
20 Plaintiff Thuc Pham (“Plaintiff”), individually and on behalf of all other
21 persons similarly situated, by his undersigned attorneys, for his complaint against
22 Defendants, alleges the following based upon personal knowledge as to himself and
23 his own acts, and information and belief as to all other matters, based upon, *inter alia*,
24 the investigation conducted by and through his attorneys, which included, among
25 other things, a review of the Defendants’ public documents, conference calls and
26 announcements made by Defendants, United States Securities and Exchange
27 Commission (“SEC”) filings, wire and press releases published by and regarding
28

1 China Finance Online Co. Limited, (“China Finance Online” or the “Company”),
2 analysts’ reports and advisories about the Company, and information readily
3 obtainable on the Internet. Plaintiff believes that substantial evidentiary support will
4 exist for the allegations set forth herein after a reasonable opportunity for discovery.

5 **NATURE OF THE ACTION**

6 1. This is a federal securities class action on behalf of a class consisting of
7 all persons other than Defendants who purchased or otherwise acquired China
8 Finance Online American Depository Shares (“ADSs”) between May 6, 2014 and
9 June 3, 2015, both dates inclusive (the “Class Period”), seeking to recover
10 compensable damages caused by Defendants’ violations of the federal securities laws
11 and to pursue remedies under Sections 10(b) and 20(a) of the Securities Exchange
12 Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated thereunder, against
13 the Company and certain of its top officials.

14 2. During the Class Period, Defendants issued materially false and
15 misleading statements and omitted to state material facts that rendered their
16 affirmative statements misleading as they related to the Company’s financial
17 performance, business prospects, and true financial condition.

18 **JURISDICTION AND VENUE**

19 3. The claims asserted herein arise under and pursuant to §§10(b) and 20(a)
20 of the Exchange Act (15 U.S.C. §§78j(b) and 78t(a)) and Rule 10b-5 promulgated
21 thereunder by the SEC (17 C.F.R. §240.10b-5).

22 4. This Court has jurisdiction over the subject matter of this action pursuant
23 to 28 U.S.C. §§ 1331 and 1337, and Section 27 of the Exchange Act, 15 U.S.C. §
24 78aa.

25 5. Venue is proper in this District pursuant to §27 of the Exchange Act and
26 28 U.S.C. §1391(b) as the alleged misleading public filings and press releases entered
27 this district.

28

1 13. Statement of Financial Accounting Standards (“SFAS”) No. 57 and No.
2 850 provide that a public company’s “[f]inancial statements shall include disclosures
3 of material related party transactions.” SFAS No. 57 ¶ 2; 850-10-50-1. “Related
4 party transactions” include those between “an enterprise and its principal owners,
5 management, or members of their immediate families” and those between a company
6 and its “affiliates.” SFAS No. 57 ¶ 1; 850-10-05-3. “Affiliate” includes any company
7 that is under common control or management with the public company. SFAS No. 57
8 ¶ 24(a, b); 850-10-20.

9 14. Financial Statements not in compliance with GAAP are presumed to be
10 misleading. SEC Regulation S-X, 17 C.F.R. § 210.4-01.

11 **Materially False and Misleading Statements Issued During the Period**

12 15. The Class Period begins on May 6, 2014 when China Finance Online
13 filed its Form 20-F for the fiscal year ended December 31, 2013 (the “2013 20-F”)
14 with the SEC, which was signed by Defendant Wang. The 2013 20-F contained
15 signed certifications pursuant to the Sarbanes-Oxley Act of 2002 (“SOX”) by
16 Defendants Shen and Yang attesting to the accuracy of the Form 20-F.

17 16. The 2013 20-F described the Company’s investment contract with
18 Langfang Shengshi Real Estate Development Co., Ltd. (the “Langfang Developer”),
19 stating in part:

20 In order to enhance our return on cash, on March 19, 2013, we entered
21 into a real estate investment contract with the Langfang Developer and
22 four original shareholders of Langfang Developer. Pursuant to the
23 investment contract with the Langfang Developer, at closing, we
24 invested an aggregate \$22,142,400 in consideration for 49% of the
25 Langfang Developer’s equity interest. Langfang Developer used the
26 invested amount to purchase land and develop a real estate project
27 thereon located in Langfang City, Hebei Province. This investment was
28 funded by our current capital resources. And we don’t expect this
investment has a material adverse effect to our liquidity and working
capital, for the foreseeable future. In November 2013, we transferred our
equity stake in the Langfang Developer for a total consideration of

1 \$24,930,702, which is being paid to us in several installments. As of
2 December 31, 2013, we have collected \$11,481,244 in cash and
3 expected to collect the remaining \$13,449,458 by September 20, 2014.
4 In addition, we extended a loan of \$10,333,120 to the Langfang
5 Developer at a monthly interest rate of 1.5%. As of December 31, 2013,
6 the total principal outstanding and interest receivable was \$10,753,111,
7 which amount we expected to collect by September 20, 2014. The
8 uncollected consideration and loans are secured by one-hundred percent
9 of Langfang Developer's equity interest.

10 17. The 2013 20-F stated the following with regards to related party
11 transactions:

12 **Contractual arrangements with CFO Newrand and its shareholders**

13 We entered into a series of contractual arrangements with CFO Newrand
14 and its nominee shareholders (i.e., Lin Yang and Linghai Ma) in 2008
15 (the "CFO Newrand VIE Contracts"). Please refer to our 2008 Annual
16 Report on Form 20-F for a detailed description of the CFO Newrand
17 VIE Contracts.

18 On January 11, 2012, we entered into (i) a framework agreement on
19 exercising purchase option with Lin Yang and the parties thereunder,
20 and (ii) a framework agreement on exercising purchase option with
21 Linghai Ma and the parties thereunder. Pursuant to the framework
22 agreements, Lin Yang subscribed and contributed the increased
23 registered capital of CFO Newrand using the loans rendered by CFO
24 Software. Upon the capital increase, Lin Yang's shareholding
25 percentage in CFO Newrand increased from 17.5% to 45% while
26 Linghai Ma's shareholding percentage in CFO Newrand decreased from
27 82.5% to 55%. In addition, on the same date, each of Linghai Ma and
28 Lin Yang entered into a purchase option agreement with CFO Newrand
and CFO Software respectively. The terms of these two agreements are
substantially the same as the purchase option agreement entered into by
and among CFO Beijing, Zhiwei Zhao and Jun Wang in respect of their
equity interests in CFO Fuhua.

**Contractual arrangements with Fortune Yingchuang (Beijing)
Technology Co., Ltd. ("CFO Yingchuang") and its shareholders**

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We entered into a framework agreement on exercising purchase option and certain ancillary agreements including a loan agreement, an equity transfer agreement and an equity pledge agreement on November 1, 2012 with Yang Yang and the parties thereunder (collectively, the “CFO Yingchuang VIE Amendments”). Pursuant to the CFO Yingchuang VIE Amendments, we exercised the purchase option by designating Ying Zhu to purchase all of the equity interests held by Yang Yang in CFO Yingchuang. Upon the equity transfer, Ying Zhu replaced Yang Yang as a shareholder of CFO Yingchuang, holding 45% of the equity interests in CFO Yingchuang. Ying Zhu and Lin Yang pledged all of their equity interests in CFO Yingchuang to CFO Chuangying to guarantee the payment obligations of CFO Yingchuang under the technical support agreement and the strategic consulting agreement between CFO Yingchuang and CFO Chuangying.

Contractual arrangements with Shanghai Shangtong Information Technology Co., Ltd. (“CFO Shangtong”) and its shareholders

We entered into a framework agreement on exercising purchase option and certain ancillary agreements including a loan agreement, an equity transfer agreement and an equity pledge agreement on December 1, 2012 with Yuting Zhou and the parties thereunder (collectively, the “CFO Shangtong VIE Amendments”). Pursuant to the CFO Shangtong VIE Amendments, we exercised the purchase option by designating Xun Zhao to purchase all of the equity interests held by Yuting Zhou in CFO Shangtong. Upon the equity transfer, Xun Zhao replaced Yuting Zhou as a shareholder of CFO Shangtong, holding 45% of the equity interests in CFO Shangtong. Xun Zhao and Juanjuan Wang pledged all of their equity interests in CFO Shangtong to CFO Software to guarantee the payment obligations of CFO Shangtong under the technical support agreement and the strategic consulting agreement between CFO Shangtong and CFO Software.

Contractual arrangements with CFO Chuangying and its shareholders

We entered into a series of contractual arrangements with CFO Chuangying and its nominee shareholders (i.e., Zhiwei Zhao and Jun Wang) on November 1, 2012 in (the “CFO Chuangying VIE

1 Contracts”). The CFO Chuangying VIE Contracts are similar to
2 agreements we had entered into with CFO Fuhua and its shareholders,
3 specifically:

4 Loan Agreement. We entered into a loan agreement with Zhiwei Zhao to
5 extend to Mr. Zhao a loan in the amount of RMB 8,277,500, for the sole
6 purpose of financing his contribution to the registered capital of CFO
7 Chuangying. Zhiwei Zhao can only repay the loans by transferring all of
8 his interest in CFO Chuangying to us or a third party designated by us.
9 When Zhiwei Zhao transfers his interest in CFO Chuangying to us or
10 our designee, if the actual transfer price is higher than the principal
11 amount of the loans, the amount exceeding the principal amount of the
12 loans will be deemed as interest accrued on such loans and repaid by
13 Zhiwei Zhao to us.

14 We entered into a loan agreement with Jun Wang to extend to Mr. Wang
15 a loan in the amount of RMB 6,772,500 for the sole purpose of financing
16 his contribution to the registered capital of CFO Chuangying subject to
17 the same terms and conditions as the loan agreement we entered into
18 with Zhiwei Zhao as discussed above.

19 Purchase Option Agreement. Pursuant to a purchase option and
20 cooperation agreement, or the purchase option agreement, entered into
21 among Zhiwei Zhao, Jun Wang, CFO Chuangying and CFO Software on
22 November 1, 2012, Zhiwei Zhao and Jun Wang jointly granted CFO
23 Software an exclusive option to purchase all or any portion of their
24 equity interest in CFO Chuangying, and CFO Chuangying granted us an
25 exclusive option to purchase all of its assets if and when (1) such
26 purchase is permitted under applicable PRC law and (2) to the extent
27 permitted by law, Zhiwei Zhao and/or Jun Wang ceases to be a director
28 or employee of CFO Chuangying, or either Zhiwei Zhao or Jun Wang
desires to transfer his equity interest in CFO Chuangying to a party other
than the existing shareholders of CFO Chuangying. We may purchase
such interest or assets ourselves or designate another party to purchase
such interest or assets.

Voting arrangement. Each of Zhiwei Zhao and Jun Wang delivered an
executed proxy to us with respect to their voting rights as shareholders
of CFO Chuangying.

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Share Pledge Agreement. Pursuant to a share pledge agreement, dated November 1, 2012, Zhiwei Zhao and Jun Wang have pledged all of their equity interest in CFO Chuangying to CFO Software to secure the payment obligations of CFO Chuangying under the technical support agreement and the strategic consulting agreement between CFO Chuangying and CFO Software.

We entered into a framework agreement on exercising purchase option and certain ancillary agreements including a loan agreement, an equity transfer agreement and an equity pledge agreement on November 15, 2012 with Zhiwei Zhao, Jun Wang and the parties thereunder (collectively, the “CFO Chuangying VIE Amendments”). Pursuant to the CFO Chuangying VIE Amendments, we exercised the purchase option under the purchase option agreement by (i) designating Xiaowei Wang to purchase all of the equity interests held by Zhiwei Zhao in CFO Chuangying and (ii) designating Na Zhang to purchase all of the equity interests held by Jun Wang in CFO Chuangying. Upon the equity transfer, Xiaowei Wang and Na Zhang became the nominee shareholders of CFO Chuangying, holding 55% and 45% of the equity interests in CFO Chuangying respectively. Xiaowei Wang and Na Zhang pledged all of their equity interests in CFO Chuangying to CFO Software to guarantee the payment obligations of CFO Chuangying under the technical support agreement and the strategic consulting agreement between CFO Chuangying and CFO Software.

The English translation of the forms of VIE contracts are attached as Exhibits [4.4-4.10] to this Annual Report on Form 20-F and incorporated herein by reference.

18. The statements referenced in ¶¶15-17 above were materially false and/or misleading because they misrepresented and failed to disclose the following adverse facts, which were known to Defendants or recklessly disregarded by them, including that: (1) Defendant Zhao had an indirect equity interest in Langfang Developer at the time of the Company’s investment; (2) the Company’s financial statements contain GAAP violations by failing to disclose the investment in Langfang Developer as a

1 related party transaction; (3) as a result of the foregoing, China Finance Online public
2 statements were materially false and misleading at all relevant times.

3 19. On April 27, 2015 China Finance Online filed its Form 20-F for the
4 fiscal year ended December 31, 2014 (the “2014 20-F”) with the SEC, which was
5 signed by Defendant Wang. The 2013 20-F contained signed certifications pursuant
6 to SOX by Defendants Zhao and Wang attesting to the accuracy of the Form 20-F.

7 20. The 2014 20-F described the Company’s variable interest entities (VIEs)
8 and their respective business sectors, stating in part:

9 **Variable interest entities:**

10 Beijing Fuhua Innovation Technology Development Co., Ltd. (“CFO Fuhua”)	Beijing, PRC	Dec. 31, 2000	Nil	Web portal and advertising service
11 Shanghai Chongzhi Co., Ltd. (“CFO Chongzhi”)	Shanghai, PRC	Jun. 6, 2008	Nil	Subscription service
12 Fortune (Beijing) Qicheng Technology Co., Ltd. (“CFO 13 Qicheng”)	Beijing, PRC	Dec. 18, 2009	Nil	N/A
14 Shenzhen Newrand Securities Advisory and Investment Co., Ltd. 15 (“CFO Newrand “)	Shenzhen, PRC	Oct. 17, 2008	Nil	Securities investment advising
16 Shanghai Stockstar Securities Advisory and Investment Co., Ltd. 17 (“CFO Securities Consulting”)	Shanghai, PRC	Nov. 5, 2009	Nil	Securities investment advising
18 Shanghai Stockstar Wealth Management Co., Ltd. 19 (“Stockstar Wealth Management”)	Shanghai, PRC	Apr. 12, 2011	Nil	N/A

20 **Subsidiaries of variable interest entities:**

21 Shanghai Meining Computer Software Co., Ltd. (“CFO 22 Meining”)	Shanghai, PRC	Oct. 1, 2006	Nil	Web portal, advertising, subscription, and SMS
23 Shenzhen Newrand Securities Training Center (“CFO 24 Newrand Training”)	Shenzhen, PRC	Oct. 17, 2008	Nil	Securities investment training
25 Fortune (Beijing) Huiying Investment Consulting Co., Ltd. 26 (“CFO Huiying”)	Beijing, PRC	Dec. 18, 2009	Nil	N/A
27 Shenzhen Tahoe Investment and Development Co., Ltd 28 (“CFO Tahoe”)	Shenzhen, PRC	Sep. 30, 2013	Nil	N/A
Shenzhen Shangtong Software Co., Ltd. (“CFO Shenzhen Shangtong”)	Shenzhen, PRC	Sep. 23, 2009	Nil	N/A
Zhengjin (Fujian) Precious Metals Investment Co., Ltd. 29 (“CFO Zhengjin Fujian”)	Fujian, PRC	Jan. 6, 2013	Nil	Precious metals brokerage
Zhengjin (Shanghai) Precious Metals Investment Co., Ltd. 30 (“CFO Zhengjin Shanghai”)	Shanghai, PRC	Dec. 12, 2013	Nil	Precious metals brokerage
Zhengjin (Tianjin) Precious Metals Investment Co., Ltd. 31 (“CFO Zhengjin Tianjin”)	Tianjin, PRC	Jul. 23,	Nil	Precious metals brokerage

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person who is in legal trouble. JRJC historically did a poor job disclosing its VIE structure, which was recently questioned by the SEC, resulting in JRJC filing an amended 2013 20-F on April 21, 2015 that added more detailed disclosures and related risks. Despite the additional disclosure, JRJC failed to disclose the resignation of CEO Zhao from key VIE management posts made in the weeks prior to the April 27, 2015 filing of its 2014 20-F.

We obtained and reviewed the SAIC records of JRJC’s Chinese VIE and directly owned operating subsidiaries. **To our surprise, updated SAIC records show that CEO Zhao suddenly resigned as director, legal representative, and general manager of three key Chinese VIE subsidiaries over the course of the last few months. JRJC has failed to disclose Zhao’s resignations to investors.**

The following are the three key VIE subsidiaries that reported the resignation of Zhao in updated SAIC filings:

1. Beijing Fuhua Innovation Technology Development Co., Ltd. Beijing Fuhua is the VIE that owns JRJC’s flagship web portal, jrj.com. Chairman Zhao resigned as legal representative, executive director and general manager on March 26, 2015. CFO Jun Wang was appointed as Zhao’s replacement. A translated screenshot of the Beijing online SAIC record appears below:

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基本信息	
注册号	110102001866667
名称	北京富华创新科技发展有限公司
类型	有限责任公司(自然人投资或控股)
法定代表人	王军
注册资本	1000 万元
成立日期	2000年12月13日
住所	北京市西城区金融大街35号国际企业大厦C座938-941室

Beijing Fuhua Innovation Technology Development Co., Ltd.

Corporate Change Information				
Change items	Content before change	变更信息	Content after change	Change date
变更事项	变更前内容		变更后内容	变更日期
法定代表人	赵志伟		王军	2015-03-26
董事(理事)、经理、监事	详细			2015-03-26
Legal representative	Zhiwei Zhao		Jun Wang	03/26/2015

Before change	After change																								
当前位置 - 主要人员变更信息详细																									
变更前 (注: 标有*标志的为法定代表人)	变更后 (注: 标有*标志的为法定代表人)																								
<table border="1"> <thead> <tr> <th>序号</th> <th>姓名</th> <th>职位</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>赵志伟*</td> <td>执行董事</td> </tr> <tr> <td>2</td> <td>赵志伟*</td> <td>总经理</td> </tr> <tr> <td>3</td> <td>王军</td> <td>监事</td> </tr> </tbody> </table>	序号	姓名	职位	1	赵志伟*	执行董事	2	赵志伟*	总经理	3	王军	监事	<table border="1"> <thead> <tr> <th>序号</th> <th>姓名</th> <th>职位</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>王军*</td> <td>执行董事</td> </tr> <tr> <td>2</td> <td>王军*</td> <td>经理</td> </tr> <tr> <td>3</td> <td>张娜</td> <td>监事</td> </tr> </tbody> </table>	序号	姓名	职位	1	王军*	执行董事	2	王军*	经理	3	张娜	监事
序号	姓名	职位																							
1	赵志伟*	执行董事																							
2	赵志伟*	总经理																							
3	王军	监事																							
序号	姓名	职位																							
1	王军*	执行董事																							
2	王军*	经理																							
3	张娜	监事																							
<table border="1"> <tbody> <tr> <td>Zhiwei Zhao</td> <td>Executive Director</td> </tr> <tr> <td>Zhiwei Zhao</td> <td>General Manager</td> </tr> </tbody> </table>	Zhiwei Zhao	Executive Director	Zhiwei Zhao	General Manager	<table border="1"> <tbody> <tr> <td>Jun Wang</td> <td>Executive Director</td> </tr> <tr> <td>Jun Wang</td> <td>General Manager</td> </tr> </tbody> </table>	Jun Wang	Executive Director	Jun Wang	General Manager																
Zhiwei Zhao	Executive Director																								
Zhiwei Zhao	General Manager																								
Jun Wang	Executive Director																								
Jun Wang	General Manager																								

2. Shanghai Meining Computer Software Co., Ltd. Shanghai Meining is the VIE that owns JRJC's other flagship web portal, stockstar.com. Chairman Zhao resigned as legal representative and director on April 8, 2015. CFO Jun Wang was appointed as Zhao's replacement. A translated screenshot of the Shanghai online SAIC record appears below:

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基本信息			
注册号	310104000167663	名称	上海美宁计算机软件有限公司
类型	有限责任公司(自然人投资或控股的法人独资)	法定代表人	王军
注册资本	1164.63万人民币	成立日期	2000年2月23日
住所	上海市徐汇区乐山路33号五号楼四楼		

Shanghai Meining Computer Software Co., Ltd

Corporate Change Information

Change items	Content before change	Content after change	Change date
变更信息			
变更事项	变更前内容	变更后内容	变更日期
经理备案	洪榕	王军	2015年4月8日
监事备案	王娟娟	王娟娟	2015年4月8日
章程备案	无	2015-03-30章程备案	2015年4月8日
法定代表人变更	赵志伟	王军	2015年4月8日
董事备案	朱颖;赵志伟;王军;赵志伟	王军	2015年4月8日
Legal representative	Zhiwei Zhao	Jun Wang	04/08/2015
Directors	Yin Zhu; Zhiwei Zhao; Jun Wang	Jun Wang	04/08/2015

3. Shanghai Stockstar Wealth Management Co., Ltd. Shanghai Stockstar is a VIE that, along with its affiliates, are key to JRJC's precious metals trading business, which in total contributed 72% of JRJC's 2014 revenues. Chairman Zhao resigned as a director on April 17, 2015. No replacement was named. A translated screenshot of the Shanghai online SAIC record appears below:

基本信息			
注册号	310115001811922	名称	上海证券之星财富管理有限公司
类型	有限责任公司(自然人投资或控股)	法定代表人	王军
注册资本	3000.0万人民币	成立日期	2011年4月12日
住所	浦东新区张家浜路37弄4-5号138室		

Shanghai Stockstar Wealth Management Co., Ltd

Corporate Change Information			
Change items	Content before change	Content after change	Change date
变更信息	变更信息	变更信息	
变更事项	变更前内容	变更后内容	变更日期
法定代表人变更	王军	王军	2015年4月17日
董事备案	王军;赵勋;赵志伟	王军	2015年4月17日
Directors	Jun Wang; Xun Zhao; Zhiwei Zhao	Jun Wang	04/17/2015

One additional subsidiary also reported the resignation of Zhao in updated SAIC filings:

Fortune Software (Beijing) Co., Ltd. Fortune Software has registered capital of \$12 million and is 100% owned by JRJC. Chairman Zhao resigned as legal representative, director and general manager on April 17, 2015. A person named Na Zhang was appointed as Zhao's replacement. A translated screenshot of the Beijing online SAIC record appears below:

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Fortune Software (Beijing) Co., Ltd	
基本信息	
注册号	110000410226288
名称	财富软件(北京)有限公司
类型	有限责任公司(台湾资法人独资)
法定代表人	张娜
注册资本	1500 万元 美元
成立日期	2004年12月07日
住所	北京市海淀区海淀南路50号北京航天精密大厦608室

Corporate Change Information				
Change items	Content before change	变更信息	Content after change	Change date
变更事项	变更前内容		变更后内容	变更日期
法定代表人	赵志伟	张娜		2015-04-17
注册资本	1200万元	1500万元		2015-04-17
董事(理事)、经理、监事	详细			2015-04-17
Legal representative	Zhiwei Zhao	Na Zhang		04/17/2015

* * *

As of December 26, 2013, Langfang Developer was 75% owned by Beijing Qingshi Investment Management Co., Ltd, which was 100% owned by Ling Wang, according to SAIC records shown below:

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Beijing Qingshi Investment Management Co., Ltd

名称: 北京青石投资管理有限公司 注册号: 110000003267642

类型: 有限责任公司(自然人独资) 法定代表人: 王翎

成立日期: 2001-09-10

住所: 北京市海淀区青云里满庭芳苑小区9号楼青云当代大厦605室

Change time: 07/23/2013

Change items: capital contributed, time of contribution, contribution method, actual contribution amount, actual contribution method, investor, actual contribution time

变更时间: 2013-07-23

变更项: 认缴的出资额, 认缴的出资时间, 认缴的出资方式, 实缴的出资额, 实缴的出资方式, 投资人, 实缴的出资时间

变更前	Before change		变更后	After change																												
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Name	Capital Contribution	Investor Type
Total: 100 million (RMB)		
Ling Wang	80 million (RMB)	Individual
Zhiwei Zhao	20 million (RMB)	Individual

Name	Capital Contribution	Investor Type
Total: 100 million (RMB)		
Ling Wang	100 million (RMB)	Individual

At the time of this suspicious investment (March 2013), JRJC CEO Zhao also failed to disclose that he had an indirect equity interest in Wang's Langfang Developer, which according to the SAIC record (above) Zhao transferred to Ling Wang on July 23, 2013.

23. As a result of this news, shares of China Finance Online fell \$1.28 per ADS or over 21% to close at \$4.67 per ADS on June 3, 2015.

24. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

PLAINTIFF’S CLASS ACTION ALLEGATIONS

1
2 25. Plaintiff brings this action as a class action pursuant to Federal Rule of
3 Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who
4 purchased or otherwise acquired China Finance Online ADSs traded on NASDAQ
5 during the Class Period (the “Class”); and were damaged upon the revelation of the
6 alleged corrective disclosures. Excluded from the Class are Defendants herein, the
7 officers and directors of the Company, at all relevant times, members of their
8 immediate families and their legal representatives, heirs, successors or assigns and
9 any entity in which Defendants have or had a controlling interest.

10 26. The members of the Class are so numerous that joinder of all members is
11 impracticable. Throughout the Class Period, China Finance Online securities were
12 actively traded on NASDAQ. While the exact number of Class members is unknown
13 to Plaintiff at this time and can be ascertained only through appropriate discovery,
14 Plaintiff believes that there are hundreds or thousands of members in the proposed
15 Class. Record owners and other members of the Class may be identified from records
16 maintained by China Finance Online or its transfer agent and may be notified of the
17 pendency of this action by mail, using the form of notice similar to that customarily
18 used in securities class actions.

19 27. Plaintiff’s claims are typical of the claims of the members of the Class as
20 all members of the Class are similarly affected by Defendants’ wrongful conduct in
21 violation of federal law that is complained of herein.

22 28. Plaintiff will fairly and adequately protect the interests of the members
23 of the Class and has retained counsel competent and experienced in class and
24 securities litigation. Plaintiff has no interests antagonistic to or in conflict with those
25 of the Class.

26 29. Common questions of law and fact exist as to all members of the Class
27 and predominate over any questions solely affecting individual members of the Class.
28 Among the questions of law and fact common to the Class are:

- 1 • whether the federal securities laws were violated by Defendants' acts as
2 alleged herein;
- 3 • whether statements made by Defendants to the investing public during
4 the Class Period misrepresented material facts about the business,
5 operations and management of China Finance Online;
- 6 • whether the Individual Defendants caused China Finance Online to issue
7 false and misleading financial statements during the Class Period;
- 8 • whether Defendants acted knowingly or recklessly in issuing false and
9 misleading financial statements;
- 10 • whether the prices of China Finance Online ADSs during the Class
11 Period were artificially inflated because of the Defendants' conduct
12 complained of herein; and,
- 13 • whether the members of the Class have sustained damages and, if so,
14 what is the proper measure of damages.

15 30. A class action is superior to all other available methods for the fair and
16 efficient adjudication of this controversy since joinder of all members is
17 impracticable. Furthermore, as the damages suffered by individual Class members
18 may be relatively small, the expense and burden of individual litigation make it
19 impossible for members of the Class to individually redress the wrongs done to them.
20 There will be no difficulty in the management of this action as a class action.

21 31. Plaintiff will rely, in part, upon the presumption of reliance established
22 by the fraud-on-the-market doctrine in that:

- 23 • Defendants made public misrepresentations or failed to disclose material
24 facts during the Class Period;
- 25 • the omissions and misrepresentations were material;
- 26 • China Finance Online ADSs are traded in efficient markets;
- 27 • the Company's shares were liquid and traded with moderate to heavy
28 volume during the Class Period;

- 1 • China Finance Online ADSs traded on NASDAQ, and was covered by
2 multiple analysts;
- 3 • the misrepresentations and omissions alleged would tend to induce a
4 reasonable investor to misjudge the value of the Company's securities;
5 and
- 6 • Plaintiff and members of the Class purchased and/or sold China Finance
7 Online ADSs between the time the Defendants failed to disclose or
8 misrepresented material facts and the time the true facts were disclosed,
9 without knowledge of the omitted or misrepresented facts.

10 32. Based upon the foregoing, Plaintiff and the members of the Class are
11 entitled to a presumption of reliance upon the integrity of the market.

12 33. Alternatively, Plaintiffs and the members of the Class are entitled to the
13 presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of*
14 *the State of Utah v. United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants
15 omitted material information in their Class Period statements in violation of a duty to
16 disclose such information, as detailed above.

17 **COUNT I**

18 **Violation of Section 10(b) of The Exchange Act and Rule 10b-5** 19 **Against All Defendants**

20 34. Plaintiff repeats and realleges each and every allegation contained above
21 as if fully set forth herein.

22 35. This Count is asserted against Defendants and is based upon Section
23 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated
24 thereunder by the SEC.

25 36. During the Class Period, Defendants engaged in a plan, scheme,
26 conspiracy and course of conduct, pursuant to which they knowingly or recklessly
27 engaged in acts, transactions, practices and courses of business which operated as a
28 fraud and deceit upon Plaintiff and the other members of the Class; made various

1 untrue statements of material facts and omitted to state material facts necessary in
2 order to make the statements made, in light of the circumstances under which they
3 were made, not misleading; and employed devices, schemes and artifices to defraud
4 in connection with the purchase and sale of securities. Such scheme was intended to,
5 and, throughout the Class Period, did: (i) deceive the investing public, including
6 Plaintiff and other Class members, as alleged herein; (ii) artificially inflate and
7 maintain the market price of China Finance Online ADSs; and (iii) cause Plaintiff and
8 other members of the Class to purchase or otherwise acquire China Finance Online
9 ADSs and options at artificially inflated prices. In furtherance of this unlawful
10 scheme, plan and course of conduct, Defendants, and each of them, took the actions
11 set forth herein.

12 37. Pursuant to the above plan, scheme, conspiracy and course of conduct,
13 each of the Defendants participated directly or indirectly in the preparation and/or
14 issuance of the quarterly and annual reports, SEC filings, press releases and other
15 statements and documents described above, including statements made to securities
16 analysts and the media that were designed to influence the market for China Finance
17 Online ADSs. Such reports, filings, releases and statements were materially false and
18 misleading in that they failed to disclose material adverse information and
19 misrepresented the truth about China Finance Online's finances and business
20 prospects.

21 38. By virtue of their positions at China Finance Online, Defendants had
22 actual knowledge of the materially false and misleading statements and material
23 omissions alleged herein and intended thereby to deceive Plaintiff and the other
24 members of the Class, or, in the alternative, Defendants acted with reckless disregard
25 for the truth in that they failed or refused to ascertain and disclose such facts as would
26 reveal the materially false and misleading nature of the statements made, although
27 such facts were readily available to Defendants. Said acts and omissions of
28 Defendants were committed willfully or with reckless disregard for the truth. In

1 addition, each defendant knew or recklessly disregarded that material facts were
2 being misrepresented or omitted as described above.

3 39. Defendants were personally motivated to make false statements and omit
4 material information necessary to make the statements not misleading in order to
5 personally benefit from the sale of China Finance Online ADSs from their personal
6 portfolios.

7 40. Information showing that Defendants acted knowingly or with reckless
8 disregard for the truth is peculiarly within Defendants' knowledge and control. As the
9 senior managers and/or directors of China Finance Online, the Individual Defendants
10 had knowledge of the details of China Finance Online's internal affairs.

11 41. The Individual Defendants are liable both directly and indirectly for the
12 wrongs complained of herein. Because of their positions of control and authority, the
13 Individual Defendants were able to and did, directly or indirectly, control the content
14 of the statements of China Finance Online. As officers and/or directors of a publicly-
15 held company, the Individual Defendants had a duty to disseminate timely, accurate,
16 and truthful information with respect to China Finance Online's businesses,
17 operations, future financial condition and future prospects. As a result of the
18 dissemination of the aforementioned false and misleading reports, releases and public
19 statements, the market price for China Finance Online ADSs was artificially inflated
20 throughout the Class Period. In ignorance of the adverse facts concerning China
21 Finance Online's business and financial condition which were concealed by
22 Defendants, Plaintiff and the other members of the Class purchased or otherwise
23 acquired China Finance Online ADSs at artificially inflated prices and relied upon the
24 price of the securities, the integrity of the market for the securities and/or upon
25 statements disseminated by Defendants, and were damaged upon the revelation of the
26 alleged corrective disclosures.

27 42. During the Class Period, China Finance Online ADSs were traded on an
28 active and efficient market. Plaintiff and the other members of the Class, relying on

1 the materially false and misleading statements described herein, which the
2 Defendants made, issued or caused to be disseminated, or relying upon the integrity
3 of the market, purchased or otherwise acquired shares of China Finance Online ADSs
4 at prices artificially inflated by Defendants' wrongful conduct. Had Plaintiff and the
5 other members of the Class known the truth, they would not have purchased or
6 otherwise acquired said securities, or would not have purchased or otherwise acquired
7 them at the inflated prices that were paid. At the time of the purchases and/or
8 acquisitions by Plaintiff and the Class, the true value of China Finance Online ADSs
9 was substantially lower than the prices paid by Plaintiff and the other members of the
10 Class. The market price of China Finance Online ADSs declined sharply upon public
11 disclosure of the facts alleged herein to the injury of Plaintiff and Class members.

12 43. By reason of the conduct alleged herein, Defendants knowingly or
13 recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and
14 Rule 10b-5 promulgated thereunder.

15 44. As a direct and proximate result of Defendants' wrongful conduct,
16 Plaintiff and the other members of the Class suffered damages in connection with
17 their respective purchases, acquisitions and sales of the Company's securities during
18 the Class Period, upon the disclosure that the Company had been disseminating
19 misrepresented financial statements to the investing public.

20 **COUNT II**

21 **Violation of Section 20(a) of The Exchange Act** 22 **Against The Individual Defendants**

23 45. Plaintiff repeats and realleges each and every allegation contained in the
24 foregoing paragraphs as if fully set forth herein.

25 46. During the Class Period, the Individual Defendants participated in the
26 operation and management of China Finance Online, and conducted and participated,
27 directly and indirectly, in the conduct of China Finance Online's business affairs.

28

1 Because of their senior positions, they knew the adverse non-public information
2 regarding China Finance Online’s business practices.

3 47. As officers and/or directors of a publicly owned company, the Individual
4 Defendants had a duty to disseminate accurate and truthful information with respect
5 to China Finance Online’s financial condition and results of operations, and to correct
6 promptly any public statements issued by China Finance Online which had become
7 materially false or misleading.

8 48. Because of their positions of control and authority as senior officers, the
9 Individual Defendants were able to, and did, control the contents of the various
10 reports, press releases and public filings which China Finance Online disseminated in
11 the marketplace during the Class Period. Throughout the Class Period, the Individual
12 Defendants exercised their power and authority to cause China Finance Online to
13 engage in the wrongful acts complained of herein. The Individual Defendants
14 therefore, were “controlling persons” of China Finance Online within the meaning of
15 Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful
16 conduct alleged which artificially inflated the market price of China Finance Online
17 ADSs.

18 49. Each of the Individual Defendants, therefore, acted as a controlling
19 person of China Finance Online. By reason of their senior management positions
20 and/or being directors of China Finance Online, each of the Individual Defendants
21 had the power to direct the actions of, and exercised the same to cause, China Finance
22 Online to engage in the unlawful acts and conduct complained of herein. Each of the
23 Individual Defendants exercised control over the general operations of China Finance
24 Online and possessed the power to control the specific activities which comprise the
25 primary violations about which Plaintiff and the other members of the Class
26 complain.

27
28

1 50. By reason of the above conduct, the Individual Defendants are liable
2 pursuant to Section 20(a) of the Exchange Act for the violations committed by China
3 Finance Online.

4 **PRAYER FOR RELIEF**

5 WHEREFORE, Plaintiff demands judgment against Defendants as follows:

6 A. Determining that the instant action may be maintained as a class action
7 under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the
8 Class representative;

9 B. Requiring Defendants to pay damages sustained by Plaintiff and the
10 Class by reason of the acts and transactions alleged herein;

11 C. Awarding Plaintiff and the other members of the Class prejudgment and
12 post- judgment interest, as well as their reasonable attorneys' fees, expert fees and
13 other costs; and

14 D. Awarding such other and further relief as this Court may deem just and
15 proper.

16 **DEMAND FOR TRIAL BY JURY**

17 Plaintiff hereby demands a trial by jury.

18 Dated: June 5, 2015

Respectfully submitted,

19 **THE ROSEN LAW FIRM, P.A.**

20 /s/ Laurence M. Rosen

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