



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



INTERIM
REPORT
2016

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 (the “Directors”) of First China Financial Network Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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\$5,310,000 for the six months ended 30 June 2016.

Loss for the six months ended 30 June 2016 was approximately HK\$37,049,000.

Loss attributable to owners of the Company for the six months ended 30 June 2016 amounted to approximately HK\$36,165,000.

Basic loss per share was 0.556 HK cents and diluted loss per share was 0.556 HK cents.

The Directors do not recommend the payment of a dividend for the six months ended 30 June 2016.

Interim 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 six months ended 30 June 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		Six months ended	
		30 June		30 June	
		2016	2015	2016	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	3	2,496	8,492	5,310	14,792
Cost of sales		(436)	(25)	(1,660)	(39)
Gross profits		2,060	8,467	3,650	14,753
Other income and net gains	5	11,169	14,782	3,061	46,290
Employee benefits expenses		(6,037)	(9,257)	(13,126)	(19,609)
Depreciation of property, plant and equipment		(1,503)	(1,062)	(2,944)	(2,067)
Amortization of intangible assets		(4,400)	(530)	(8,828)	(1,055)
Finance costs		(73)	(88)	(152)	(179)
Other operating expenses		(5,482)	(7,161)	(11,720)	(13,768)
Share of (loss)/profit of associate		(4,570)	6,562	(6,990)	10,414
Loss/(profit) before income tax		(8,836)	11,713	(37,049)	34,779
Income tax expense	6	-	(10,929)	-	(10,929)
Loss/(profit) for the period		(8,836)	784	(37,049)	23,850

	Three months ended		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other comprehensive (expense)/ income:				
<i>Items that may be reclassified to profit or loss</i>				
Currency translation differences	(5,829)	(156)	(3,679)	(124)
Other comprehensive expense for the period, net of tax	(5,829)	(156)	(3,679)	(124)
Total comprehensive (expense)/income for the period	(14,665)	628	(40,728)	23,726
(Loss)/profit for the period attributable to:				
Owners of the Company	(8,412)	217	(36,165)	22,525
Non-controlling interests	(424)	567	(884)	1,325
	(8,836)	784	(37,049)	23,850
Total comprehensive (expense)/income for the period attributable to:				
Owners of the Company	(14,258)	62	(39,858)	22,397
Non-controlling interests	(407)	566	(870)	1,329
	(14,665)	628	(40,728)	23,726

	Note	Three months ended 30 June		Six months ended 30 June	
		2016	2015	2016	2015
		HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
(Loss)/earnings per share attributable to owners of the Company for the period:					
Basic (loss)/earnings per share (HK cents)	7	(0.129)	0.003	(0.556)	0.347
Diluted (loss)/earnings per share (HK cents)	7	(0.129)	0.003	(0.556)	0.346



Condensed Consolidated Statements of Financial Position

		At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Non-current asset			
Property, plant and equipment		39,003	40,711
Intangible assets		131,578	142,652
Statutory deposits and other assets		2,275	2,304
Interests in associates		40,658	47,943
Contingent consideration receivable		31,444	31,511
		244,958	265,121
Current assets			
Inventories		3,519	3,730
Trade receivables	8	9,708	9,801
Loans and receivables		19,193	19,518
Financial assets at fair value through profit or loss	9	199,726	201,970
Prepayments, deposits and other receivables		72,335	33,578
Amount due from former Directors		331	831
Bank balances and cash		206,194	265,902
Restricted cash		–	1,816
		511,006	537,146
Total assets		755,964	802,267
Current liabilities			
Trade payables	10	13,573	16,682
Other payables and accruals		3,013	4,388
Current income tax payable		–	542
Borrowings	11	9,531	10,494
		26,117	32,106
Net current assets		484,889	505,040
Total assets less current liabilities		729,847	770,161

	Note	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Non-current liabilities			
Deferred income tax liabilities		38,918	39,445
		38,918	39,445
Net assets			
		690,929	730,716
Capital and reserves			
Share capital	12	64,989	64,989
Share premium	12	1,614,799	1,614,799
Special reserve		4,779	4,779
Statutory reserve		3,912	3,912
Translation reserve		(8,190)	(4,497)
Share-based compensation reserve		35,090	34,149
Accumulated losses		(1,030,587)	(994,422)
Equity attributable to owners of the Company		684,792	723,709
Non-controlling interests		6,137	7,007
Total equity		690,929	730,716

Condensed Consolidated Statements of Changes in Equity

For the six months ended 30 June 2016

Attributable to owners of the Company										
	Share capital	Share premium	Special reserve	Statutory reserve	Translation reserve	Share-based compensation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(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 compensation income for the period	-	-	-	-	(128)	-	22,525	22,397	1,329	23,726
Equity-settled share option arrangements	-	-	-	-	-	3,944	-	3,944	-	3,944
Transfer of share-based compensation reserve upon the forfeiture or expiry of share options	-	-	-	-	-	(1,297)	787	(510)	-	(510)
Balance as at 30 June 2015	64,989	1,614,799	4,779	-	9,911	32,480	(905,135)	821,823	6,597	828,420

Attributable to owners of the Company										
	Share capital	Share premium	Special reserve	Statutory reserve	Translation reserve	Share-based compensation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(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 compensation loss for the period	-	-	-	-	(3,693)	-	(36,165)	(39,858)	(870)	(40,728)
Equity-settled share option arrangements	-	-	-	-	-	941	-	941	-	941
Balance as at 30 June 2016	64,989	1,614,799	4,779	3,912	(8,190)	35,090	(1,030,587)	684,792	6,137	690,929

Condensed Consolidated Statements of Cash Flows

	For the six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Net cash used in operating activities	(63,048)	(82,433)
Net cash generated from/(used in) investing activities	487	(1,489)
Net cash used in financing activities	(962)	(935)
Net decrease in cash and cash equivalents	(63,523)	(84,857)
Cash and cash equivalents at the beginning of period	241,490	292,073
Cash and cash equivalents at the end of period	177,967	207,216
Bank balances and cash include the following for the purposes of the condensed consolidated statement of cash flows:		
Cash at bank and on hand	206,194	229,265
Segregated trust bank balances	(28,227)	(22,049)
Cash and cash equivalents	177,967	207,216

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 8 August 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 requirements of the Hong Kong Company Ordinance. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, except for the 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 30 June		Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Commission income from securities and futures brokerage	150	1,096	320	1,462
Commission income from precious metals brokerage	7	1,713	778	4,205
Spot trading profits on precious metals contracts, net	93	4,704	520	8,014
Trading of electronic student cards and school safety products	1,874	731	3,659	784
Interest income from clients	176	356	285	496
Net loss on trading of securities	-	(365)	(728)	(645)
Consultancy fee income	196	257	476	476
	2,496	8,492	5,310	14,792

4. Segment Information

The chief operating decision-maker has been identified as the executive directors (the "Executive Directors") of the Company. The Executive Directors review the Group's internal reports in order to assess performance and allocate resources. Operating segments were determined based on these reports.

The Executive Directors identified the Group was organized into six operating divisions and each of the operating divisions represented an operating and reportable segments: (1) provision of brokerage and securities margin financing services; (2) precious metals spot trading and brokerage; (3) trading of electronic student cards and school safety products; (4) trading and principal investments; (5) provision of wealth management services; and (6) provision of stock information and research services.

The segment information of the reportable segments for the six months ended 30 June 2016 is as follows:

	Brokerage and securities margin financing services HK\$'000 (unaudited)	Precious metals spot trading and brokerage HK\$'000 (unaudited)	Trading of electronic student cards and school safety products HK\$'000 (unaudited)	Trading and principal investments HK\$'000 (unaudited)	Provision of wealth management services HK\$'000 (unaudited)	Provision of stock information and research services HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue from external customers	605	1,298	3,659	(728)	-	476	5,310
Segment results	(1,588)	(1,965)	(10,798)	37	-	(3,193)	(17,110)
Net unallocated expenses							(12,797)
Finance costs							(152)
Share of loss of associate							(6,990)
Loss before income tax							(37,049)
Income tax expense							-
Loss for the period							(37,049)

The segment information of the reportable segments for the six months ended 30 June 2015 is as follows:

	Brokerage and securities margin financing services HK\$'000 (unaudited)	Precious metals spot trading and brokerage HK\$'000 (unaudited)	Trading of electronic student cards and school safety products HK\$'000 (unaudited)	Trading and principal investments HK\$'000 (unaudited)	Provision of wealth management services HK\$'000 (unaudited)	Provision of stock information and research services HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue from external customers	1,958	12,219	784	(645)	-	476	14,792
Segment results	(700)	3,927	(5,577)	42,814	-	(2,445)	38,019
Net unallocated expenses							(13,475)
Finance costs							(179)
Share of profit of associate							10,414
Profit before income tax							34,779
Income tax expense							(10,929)
Profit for the period							23,850



The Group mainly operates in Hong Kong and the PRC.

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue		
Hong Kong	(123)	1,313
The PRC	5,433	13,479
	5,310	14,792

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

5. Other Income and Net Gains

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Other income				
CCASS fee income	4	16	8	25
Handling fee income	9	13	18	24
Interest income				
on bank deposits	209	116	298	262
Dividend income	1,872	1,932	1,873	1,932
Sundry income	17	18	99	404
	2,111	2,095	2,296	2,647
Other gains				
Financial assets at fair value through profit or loss				
– Net fair value gains on securities trading	9,058	12,687	765	43,643
	9,058	12,687	765	43,643
	11,169	14,782	3,061	46,290

6. 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: approximately HK\$984,000).

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Current income tax:				
Current tax on profits for the period				
– PRC Enterprise Income Tax	–	984	–	984
Deferred income tax				
Current period	–	9,945	–	9,945
Income tax expense	–	10,929	–	10,929



7. (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:

	Six months ended	
	30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss)/profit		
(Loss)/profit for the purpose of basic and diluted (loss)/earnings per share	(36,165)	22,525
Number of shares		
Issued ordinary shares at 1 January	6,498,958,120	6,498,958,120
Weighted average number of ordinary shares in issue for calculating basic (loss)/earnings per share	6,498,958,120	6,498,958,120
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	–	10,648,655
Weighted average number of ordinary shares in issue for calculating diluted earnings per share	6,498,958,120	6,509,606,775
(Loss)/earnings per share	(0.0056)	0.00347
Diluted (loss)/earnings per share	(0.0056)	0.00346

The computation of diluted loss per share for the period ended 30 June 2016 did not assume the exercise of the Company's share options outstanding during the period ended 30 June 2016 since their exercise would result in a decrease in loss per share.

8. Trade Receivables

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Amount receivable arising from securities broking:		
Margin clients	3,163	1,972
Cash clients	5,415	4,232
Hong Kong Securities Clearing Company Limited (net)	–	3,061
Other trade receivables	1,166	572
	9,744	9,837
Less: Provision for impairment loss	(36)	(36)
Trade receivables, net	9,708	9,801

Amounts receivable from margin clients are repayable on demand, bear interest at prevailing market rates and are secured by clients' pledged securities which are listed on the Stock Exchange with a total market value of approximately HK\$20,038,000 as at 30 June 2016 (31 December 2015: approximately HK\$21,874,000). No aged analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of the business of securities margin financing.

The settlement terms of amounts receivable arising from securities broking are one or two trade days after the trade execution date. Except for the amounts receivable from margin clients as mentioned above, these balances are aged within 30 days.

Other trade receivables arising from the trading of electronic student cards are due immediately from date of billing but the Group will generally grant a credit period of 60 days on average to its customers.

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

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
0 – 30 days	1,130	536
31 – 90 days	–	–
91 – 180 days	–	–
181 – 365 days	–	–
Over 365 days	–	–
	1,130	536

The maximum exposure to credit risk at the end of reporting period is the carrying amounts of trade receivables. Other than the amounts receivable from margin clients, the Group does not hold any collateral as security in respect of its trade receivables.

As at 30 June 2016 and 31 December 2015, all other trade receivables, except for the impaired amounts indicated below, were not past due.

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

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
At the beginning of period	36	36
Impairment of trade receivables	–	–
At the end of period	36	36

As at 30 June 2016 and 31 December 2015, the Group's trade receivables of HK\$36,000 were individually determined to be impaired.

9. Financial Assets at Fair Value Through Profit or Loss

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Listed equity – held for trading Equity securities – Hong Kong	199,726	201,970

Stock code	Company name	No. of share held as at 30 June 2016	Approximately percentage of shareholding	Fair value as at 30 June 2016 HK\$'000	Fair value (losses)/gains on securities trading for the period ended
					30 June 2016 HK\$'000
01190	Bolina	46,962,000	4.66%	97,681	5,635
01335	Sheen Tai	83,152,000	4.14%	83,984	(5,821)
06898	China Aluminum	9,506,000	1.52%	18,061	951
				199,726	765

Financial assets at fair value through profit or loss are presented within “operating activities” as part of changes in working capital in the condensed consolidated statements of cash flows.

Changes in fair values of financial assets at fair value through profit or loss are recorded in “other income and net gains” in the condensed consolidated statement of profit or loss and other comprehensive income.

The fair value of all equity securities is based on their current bid prices in an active market.

10. Trade Payables

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Amount payable arising from securities broking:		
Margin clients	13,556	2,353
Cash clients	–	14,323
Hong Kong Securities Clearing Company Limited (net)	11	–
Other trade payables	6	6
Trade payables, net	13,573	16,682

Amounts payable to margin clients are repayable on demand. No aged analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of the business of securities margin financing.

The settlement terms of amounts payable arising from securities broking are one or two trade days after the trade execution date. Except for the amounts payable to margin clients as mentioned above, these balances are aged within 30 days.

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

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
0 – 30 days	–	–
31 – 90 days	–	–
91 – 180 days	–	–
181 – 365 days	–	–
Over 365 days	6	6
	6	6

11. Borrowings

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Borrowing included in current liabilities		
– Secured bank borrowings	9,531	10,494

12. 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 30 June 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.

13. Dividend

The Directors do not recommend the payment of a dividend for the period ended 30 June 2016 (2015: Nil).

Business Review

The Group in the six months ended 30 June 2016 recorded a turnover of approximately HK\$5.31 million, which was a decrease of approximately HK\$9.48 million compared with the last corresponding period. Such decrease mainly came from decrease of commission income from securities and futures brokerage and precious metals brokerage, spot trading on profits precious metals contracts.

For proprietary stock trading, the Group recorded an unrealized gain of approximately HK\$0.77 million and realized loss of HK\$0.73 million for the six months ended 30 June 2016.

In January 2015, the Group has entered into an 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.) and the payment of the refundable earnest money. And the parties have mutually agreed to terminate the agreement for intent in May 2015 as there were certain issues relating to the due diligence review which cannot be resolved to the satisfaction of 首華證券諮詢(深圳)有限公司 (transliterated as First China Securities Consultancy (Shenzhen) Co., Ltd.) (“Shenzhen First China”).

According to the termination agreement, the refundable earnest money of RMB20.00 million should be repaid by Yang Shunhong, one of the vendors, to Shenzhen First China in August 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 in December 2015.

According to the final judgment handed down by SCIA, inter alia, (a) Yang Shunhong shall repay the refundable earnest money of RMB20.00 million to Shenzhen First China with penalty at the rate of 24% per annum accrued since 31 August 2015 until the date of repayment of the refundable earnest money as damages to Shenzhen First China within 15 days upon the date of final judgment, (b) Yang Shunhong shall bear the responsibility over the legal costs of RMB0.5 million incurred by Shenzhen First China in the arbitration and the costs of arbitration of approximately RMB0.34 million within 15 days upon the date of final judgment, (c) the final judgment is final and be legally binding. Shenzhen First China has assigned Chinese lawyer to recover the refundable earnest money of RMB20.00 million by taking all legal actions and means to safeguard the interests and assets of the Group.

For more details, please refer to the announcements and 2015 annual report of the Company.

Financial review

The Group recorded an unaudited revenue of approximately HK\$5.31 million for the six months ended 30 June 2016, compared with that of approximately HK\$14.79 million, decreased approximately HK\$9.48 million or 64.1%, with 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, decreased 81.5%, recorded approximately HK\$0.78 million and the spot trading profits on precious metal contracts, decreased 93.5%, recorded approximately HK\$0.52 million compared with approximately HK\$4.20 million and approximately HK\$8.01 million respectively for the same period of last year.

The segment of trading of electronic student cards and school safely products began to contribute to the Group. It recorded the revenue of approximately HK\$3.66 million for the period ended 30 June 2016 and it only recorded approximately HK\$0.78 million of revenue for the corresponding period.

The Group recorded an unaudited loss for the six months ended 30 June 2016 to approximately HK\$37.05 million, versus an unaudited profit of approximately HK\$23.85 million for the corresponding period. The significant change of the result due to a fair value gains on securities trading of approximately HK\$43.64 million for the corresponding period in 2015 while the Group recorded the fair value gain on securities trading of approximately HK\$0.77 million for the period under review. In summary, the basic loss per share attributable to owners of the Company were approximately 0.56 HK cents while the basic earnings per share was approximately 0.35 HK cents for the same period last year.

The Group's net current assets at as 30 June 2016 amounted to approximately HK\$484.89 million and the liquidity of the Group, as demonstrated by the current ratio (current assets/current liabilities) was 19.57 times. The Group's bank balances and cash approximately to HK\$206.19 million as at 30 June 2016 of which approximately HK\$28.23 million were held on behalf of clients in trust and segregated accounts. The total borrowings amounted to approximately HK\$9.53 million which was secured by the charges over certain of the Group's land and buildings and corporate guarantee executed by the Company.

The equity attributable to owner of the Company amounted to approximately HK\$684.79 million as at 30 June 2016, representing a decrease of approximately HK\$38.92 million, or 5.4% from that of 31 December 2015.

Outlook

The Company 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.

As mentioned in 2016 first quarterly report of the Company, 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.

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

The Group will continue to develop the innovative businesses and look for opportunities to expand the income sources in order to enhance the revenue of the Group.

Directors' Report

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

As at 30 June 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 30 June 2016:

Name of Director	Date of grant	Number of share options				Outstanding as at 30 June 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 30 June 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 30 June 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 30 June 2016, details of the outstanding options were as follows:

Date of grant	Number of share options				Outstanding as at 30 June 2016 (Note 1)	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			
	05/09/2007	4,779,236	-	-			
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

Note:

- (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 30 June 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.

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.

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.

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 six months ended 30 June 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, 8 August 2016

As of the date of this report, the executive Directors are Mr. Wang Jiawei 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.