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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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 announcement, 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 the Growth Enterprise Market 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 that: (i) the information contained in this announcement 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 announcement misleading; and (iii) all opinions expressed in this announcement 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$46,900,000 for the year ended 31 December 2016.

Loss for the year ended 31 December 2016 was approximately HK$244,900,000.

Loss attributable to owners of the Company for the year ended 31 December 2016 amounted to approximately HK$244,100,000.

Basic loss per share was 3.76 HK cents and diluted loss per share was 3.76 HK cents.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2016.

FINAL RESULTS

The board of Directors of the Company (the "Board") announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016 together with the comparative audited figures for the corresponding period in 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	**2016** *HK$*	2015 *HK$*
Revenue	*3*	**8,896,415**	45,714,003
Other income and loss, net	*5*	**(91,656,382)**	(18,474,679)
Employee benefits expenses		**(17,854,403)**	(37,241,505)
Depreciation of property, plant and equipments		**(6,709,566)**	(5,451,113)
Amortization of intangible assets	*10*	**(17,362,183)**	(2,084,557)
Impairment of intangible assets	*10*	**(122,686,950)**	(93,191,960)
Impairment loss of interests in associates	*11*	**(1,028,594)**	(5,059,075)
Finance costs	*6*	**(289,184)**	(344,576)
Other operating expenses		**(19,758,659)**	(27,570,406)
Change in fair value of contingent consideration receivable		**140,880**	27,278,678
Share of (loss)/profit of associates		**(9,474,111)**	36,748,757
Loss before income tax	*7*	**(277,782,737)**	(79,676,433)
Income tax income	*8*	**32,879,188**	18,628,673
Loss for the year		**(244,903,549)**	(61,047,760)
Other comprehensive loss:			
Items that may be reclassified to profit or loss			
Currency translation differences:			
– Group		**(11,090,916)**	(12,344,742)
– Share of other comprehensive income of an associate		**(2,842,509)**	(2,254,284)
Other comprehensive loss for the year, net of tax		**(13,933,425)**	(14,599,026)
Total comprehensive loss for the year		**(258,836,974)**	(75,646,786)

	Note	2016 HK$	2015 HK$
Loss attributable to:			
Owners of the Company	*9*	**(244,075,407)**	(62,850,046)
Non-controlling interests		**(828,142)**	1,802,286
		(244,903,549)	(61,047,760)
Total comprehensive loss for the year attribute to:			
Owners of the Company		**(258,045,542)**	(77,385,459)
Non-controlling interests		**(791,432)**	1,738,673
		(258,836,974)	(75,646,786)
Loss per share attributable to owners of the Company for the year			
Basic loss per share *(HK cents)*	*9*		
From loss for the year		**(3.76)**	(0.97)
Diluted loss per share *(HK cents)*	*9*		
From loss for the year		**(3.76)**	(0.97)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	**2016**	2015
		HK$	*HK$*
Non-current asset			
Property, plant and equipments		**35,787,878**	40,711,061
Intangible assets	*10*	**2**	142,651,502
Statutory deposits and other assets		**1,059,936**	2,304,395
Interests in associates	*11*	**34,944,709**	47,942,898
Contingent consideration receivable		**29,441,448**	31,511,100
Deposit paid		**940,607**	–
		102,174,580	265,120,956
Current assets			
Inventories		**2,590,324**	3,729,957
Trade receivables	*12*	**14,550,089**	9,800,843
Loans and receivables		**33,530,283**	19,518,345
Financial assets at fair value through profit or loss	*13*	**63,967,620**	201,969,810
Prepayments, deposits and other receivables		**28,242,860**	33,578,031
Amounts due from former Directors	*14*	**331,419**	831,419
Bank balances and cash – trust accounts		**14,075,403**	24,411,437
Restricted cash		**–**	1,815,795
Bank balances and cash – general accounts		**240,921,035**	241,490,110
		398,209,033	537,145,747
Total assets		**500,383,613**	802,266,703
Current liabilities			
Trade payables	*15*	**14,817,698**	16,681,530
Other payables and accruals		**2,168,841**	4,388,082
Current income tax payable		**–**	541,663
Borrowings	*16*	**8,554,953**	10,494,013
		25,541,492	32,105,288
Net current assets		**372,667,541**	505,040,459
Total assets less current liabilities		**474,842,121**	770,161,415

	2016	2015
	HK$	*HK$*
Non-current liabilities		
Deferred income tax liabilities	**5,804,700**	39,445,051
	5,804,700	39,445,051
Net assets	**469,037,421**	730,716,364
Capital and reserves		
Share capital	**64,989,582**	64,989,582
Share premium	**1,614,798,866**	1,614,798,866
Special reserve	**4,778,740**	4,778,740
Statutory reserve	**3,911,530**	3,911,530
Translation reserve	**(18,466,661)**	(4,496,526)
Share-based compensation reserve	**30,383,874**	34,149,275
Accumulated losses	**(1,237,573,985)**	(994,422,010)
Equity attributable to owners of the Company	**462,821,946**	723,709,457
Non-controlling interests	**6,215,475**	7,006,907
Total equity	**469,037,421**	730,716,364

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 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 interest**	**Total equity**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Balance as at 1 January 2015	64,989,582	1,614,798,866	4,778,740	–	10,038,887	29,832,788	(928,447,064)	795,991,799	5,267,851	801,259,650
Loss for the year	–	–	–	–	–	–	(62,850,046)	(62,850,046)	1,802,286	(61,047,760)
Other comprehensive loss	–	–	–	–	(14,535,413)	–	–	(14,535,413)	(63,613)	(14,599,026)
Equity-settled share option arrangements	–	–	–	–	–	5,103,117	–	5,103,117	–	5,103,117
Transfer of share-based compensation reserve upon the forfeiture or expiry of share options	–	–	–	–	–	(786,630)	786,630	–	–	–
Share of revenue reserve of an associate	–	–	–	3,911,530	–	–	(3,911,530)	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	383	383
Balance as at 31 December 2015	64,989,582	1,614,798,866	4,778,740	3,911,530	(4,496,526)	34,149,275	(994,422,010)	723,709,457	7,006,907	730,716,364
Balance as at 1 January 2016	**64,989,582**	**1,614,798,866**	**4,778,740**	**3,911,530**	**(4,496,526)**	**34,149,275**	**(994,422,010)**	**723,709,457**	**7,006,907**	**730,716,364**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(244,075,407)**	**(244,075,407)**	**(828,142)**	**(244,903,549)**
Other comprehensive loss	**–**	**–**	**–**	**–**	**(13,970,135)**	**–**	**–**	**(13,970,135)**	**36,710**	**(13,933,425)**
Equity-settled share option arrangements	**–**	**–**	**–**	**–**	**–**	**1,688,031**	**–**	**1,688,031**	**–**	**1,688,031**
Reversal of share-based compensation reserve upon the forfeiture of share option	**–**	**–**	**–**	**–**	**–**	**(4,530,000)**	**–**	**(4,530,000)**	**–**	**(4,530,000)**
Transfer of share-based compensation reserve upon the lapse of share options	**–**	**–**	**–**	**–**	**–**	**(923,432)**	**923,432**	**–**	**–**	**–**
Balance as at 31 December 2016	**64,989,582**	**1,614,798,866**	**4,778,740**	**3,911,530**	**(18,466,661)**	**30,383,874**	**(1,237,573,985)**	**462,821,946**	**6,215,475**	**469,037,421**

NOTES:

1. GENERAL INFORMATION

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 in Hong Kong, (iii) trading and principal investments in the PRC and Hong Kong, (iv) research, exploration and development of the student safety network project and the electronic student card in the PRC, and (v) 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 registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business is situated at 16th Floor, CMA Building, No.64-66 Connaught Road Central, Hong Kong.

The Company's shares are listed on the GEM of the Stock Exchange.

The 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 the functional currency of the Company is Hong Kong dollars and management considered it is more beneficial to the users of the consolidated financial statements. These consolidated financial statements have been approved and authorized for issue by the Board of Directors on 20 March 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

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

The consolidated financial statements have been prepared under the historical cost convention, except for the recognition of certain financial assets and financial liabilities at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

The HKICPA has issued a number of amendments to HKFRSs and Interpretations that are first effective for the current accounting period of the Group, including the following:

- Accounting for acquisition of interests in joint operations – Amendments to HKFRS11
- Clarification of acceptable methods of depreciation and amortization – Amendments to HKAS16 and HKAS38
- Annual improvements to HKFRSs 2012-2014 cycle, and
- Disclosure initiative – amendments to HKAS1

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) *New and amended Standards issued but not yet adopted*

The Group has not early applied the following new amendments to HKFRSs and interpretation that have been issued but are not yet effective:

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
HKFRS 9	Financial instruments[2]
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[4]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from contracts with customers[2]
Amendments to HKAS 7	Disclosure initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealized Losses[1]

[1] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

[3] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

[4] Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 Financial Instruments

Key requirements of HKFRS are described as follows:

- HKFRS 9, "Financial Instruments" addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of HKFRS 9 replaces most of the guidance in HKAS 39. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities, there were no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39.

  HKFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

  The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from contracts with customers

In July 2014, HKFRS 15 was issued which establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS11 “Construction contracts” and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the HKFRS 15 may have significant impact on amounts reported in the consolidated financial statements. However, it is not practical to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessee. However, the standard does not significantly change the accounting of lessors.

Application of HKFRS 16 will result in Group’s recognition of right-of-use assets and corresponding liabilities in respect of many of the Group’s lease arrangements. These assets and liabilities are currently not required to be recognised. The directors of the Company anticipate that the application of HKFRS 16 in the future will have an impact on the Group’s consolidated financial statements; however, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

Other than disclosed above, the directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

(c) Estimated useful lives of intangible assets other than goodwill

The Group has significant intangible assets. The Group is required to estimate the useful lives of intangible assets, in order to ascertain the amount of amortization charges for each reporting period.

(d) Impairment of intangible assets other than goodwill

The Group periodically reviews internal or external resources to identify indications that the intangible assets other than goodwill have suffered any impairment in accordance with accounting policy. If the recoverable amount of an intangible asset is estimated to be less than its carrying amount, the carrying amount of the intangible asset is reduced to its recoverable amount. The assessment of the recoverable amount requires the use of estimates and assumptions.

(e) Impairment of trade and other receivables

The Group's management determines the impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment of trade and other receivables at the end of the reporting period.

(f) Impairment of interests in associates

Determining whether interests in associates are impaired requires an estimation of the recoverable amounts of the interests in associates, which represent the value of the assets and liabilities as at 31 December 2016 estimated on a realization basis.

(g) Estimated useful lives and impairment of property, plant and equipment

The Group has significant property, plant and equipment. The Group is required to estimate the useful lives of property, plant and equipment in order to ascertain the amount of depreciation charges for each reporting period.

The useful lives are estimated at the time of purchase of these assets after considering business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including declines in projected operating results, negative industry and economic trends. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

(h) Income taxes

The Group is subject to income taxes in certain jurisdictions other than Hong Kong. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination are made.

(i) Fair value of contingent consideration receivable

The Directors of the Company use their judgment in selecting appropriate valuation techniques for contingent consideration receivable. A probability model was used by market practitioners, has been applied for estimating the fair value of contingent consideration receivable. The estimation of fair values of the contingent consideration receivables are derived after taking into account the input and parameters, such as the discount rate, range of profits shortfall and its probabilities and the Company's shares at the end of reporting period.

(j) Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. The Group uses a binomial model for new share options scheme to measure the fair value of equity-settled transactions with employees at the grant date.

(k) Determining the basis on impairment made on the interests in associates

The Group has made substantial investments in associates. The Group conducts impairment reviews of these assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

During 2016, after reviewing the business environment and past performance of the investments, management considers there were impairment for two PRC associates of HK$1,028,594 due to the continuing suspension of business of those associates during the year.

As the commodities trading policies review conducted by the government of Qianhai, there was a temporary suspension on the business operation of 深圳前海首華國際商品交易中心有限公司 (transliterated as Shenzhen Qianhai First China International Commodities Exchange Centre Limited) ("Qianhai First China"), an associate of the Group, in prior year. The review was still not completed as at the end of the current reporting period and therefore the business operation of Qianhai First China has not yet resumed. The management of the Group considered the recoverable amount of the interests in such associate would be the present value of the associate's assets and liabilities at the end of the reporting period on a realization basis, assuming the suspension will be continued. As the carrying amount of the interests in such associate after sharing its current year's profits or loss is lower than its recoverable amount, the management considered it was not necessary to make further impairment on it.

3. REVENUE

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

	2016	2015
	HK$	*HK$*
Commission income from securities and futures brokerage	**659,425**	2,287,814
Commission income from precious metals brokerage	**1,028,710**	8,315,753
Spot trading profits on precious metals contracts, net	**511,054**	11,249,982
Trading of electronic student cards and school safety products	**5,175,956**	2,102,875
Interest income from clients	**745,406**	971,533
Consultancy fee income	**775,864**	20,786,046
Revenue	**8,896,415**	45,714,003
Proceeds from trading of securities	**37,995,615**	113,135,894
Turnover	**46,892,030**	158,849,897

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 reporting in order to assess performance and allocate resources. Operating segments were determined based on these reports.

The Group was organized into five operating divisions and each of the operating divisions represented an operating and reportable segment: (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 stock information and research services.

The segment information of the reportable segments for the year ended 31 December 2016 is as follows:

	Brokerage and securities margin financing services	**Precious metals spot trading and brokerage**	**Trading of electronic student cards and school safety products**	**Trading and principal investments**	**Provision of stock information and research services**	**Total**
	HK$	***HK$***	***HK$***	***HK$***	***HK$***	***HK$***
Segment revenue from external customers	**1,404,831**	**1,539,764**	**5,175,956**	**–**	**775,864**	**(8,896,415)**
Other income and loss, net by segment	**100,957**	**92,974**	**354,944**	**(95,311,974)**	**2,448,383**	**(92,314,716)**[1]
Segment results	**(4,093,016)**	**(2,009,354)**	**(113,390,780)**	**(102,586,026)**	**(6,888,117)**	**(228,967,293)**
Net unallocated expenses						**(8,180,739)**
Other income and loss, net						**226,390**[1]
Finance costs						**(289,184)**
Interest income						**431,944**[1]
Share of loss of associates						**(8,928,647)**
Impairment loss of interests in associates						**(1,028,594)**
Loss before income tax						**(246,736,123)**
Income tax income						**1,832,574**
Loss for the year						**(244,903,549)**

The segment information of the reportable segments for the year ended 31 December 2015 is as follows:

	Brokerage and securities margin financing services	Precious metals spot trading and brokerage	Trading of electronic student cards and school safety products	Trading and principal investments	Provision of stock information and research services	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Segment revenue from external customers	3,259,347	19,565,735	2,102,875	–	20,786,046	45,714,003
Other income and loss, net by segment	1,006,107	45,929	718,448	(24,639,316)	3,319,672	(19,537,925)[1]
Segment results	(1,529,070)	4,525,441	(57,921,198)	(29,409,044)	12,976,407	(71,357,464)
Net unallocated expenses						(18,235,087)
Other income & loss, net						554,814[1]
Finance costs						(344,576)
Interest income						508,432[1]
Share of profit of associates						37,554,513
Impairment loss on interests in associates						(5,059,075)
Loss before income tax						(56,378,443)
Income tax expense						(4,669,317)
Loss for the year						(61,047,760)

[1] Equivalent to the total balances stated in note 5

The measure used for reporting segment profits or losses is adjusted losses before interest and taxes. To arrive at adjusted losses, the Group's losses are further adjusted for items not specifically attributed to individual segments, such as share of profits or losses of associates, impairment loss on interests in associates and head office or corporate administration costs.

In addition to receiving segment information concerning adjusted losses before interest and taxes, management is provided with segment information concerning revenue, interest income and finance costs from borrowings, share of profits or loss of the associates and impairment loss on interests in associates.

Other segment information for the year ended 31 December 2016 is as follows:

	Brokerage and securities margin financing services *HK$*	**Precious metals spot trading and brokerage** *HK$*	**Trading of electronic student cards and school safety products** *HK$*	**Trading and principal investments** *HK$*	**Provision of stock information and research services** *HK$*	**Unallocated** *HK$*	**Total** *HK$*
Addition to property, plant and equipment	**–**	**235,824**	**2,640,371**	**–**	**54,003**	**60,022**	**2,990,220**
Depreciation and amortization	**–**	**718,418**	**21,299,187**	**279,800**	**271,693**	**1,502,651**	**24,071,749**
Impairment of intangible assets	**–**	**–**	**122,686,950**	**–**	**–**	**–**	**122,686,950**
Change in fair value of contingent consideration receivable	**–**	**–**	**140,880**	**–**	**–**	**–**	**140,880**
Fair value losses on securities trading	**–**	**–**	**–**	**30,108,514**	**–**	**–**	**30,108,514**

Other segment information for the year ended 31 December 2015 is as follows:

	Brokerage and securities margin financing services *HK$*	Precious metals spot trading and brokerage *HK$*	Trading of electronic student cards and school safety products *HK$*	Trading and principal investments *HK$*	Provision of stock information and research services *HK$*	Unallocated *HK$*	Total *HK$*
Addition to property, plant and equipment	–	–	3,775,072	150,000	3,371	28,089	3,956,532
Depreciation and amortization	20,971	853,381	4,324,117	313,860	358,968	1,664,373	7,535,670
Impairment of intangible assets	–	–	93,191,960	–	–	–	93,191,960
Change in fair value of contingent consideration receivable	–	–	27,278,678	–	–	–	27,278,678
Fair value losses on securities trading	–	–	–	32,641,510	–	–	32,641,510

The segment assets and liabilities as at 31 December 2016 and 2015 are as follows:

Segment assets	2016	2015
	HK$	*HK$*
Brokerage and securities margin financing services	**44,961,059**	56,152,709
Precious metals spot trading and brokerage	**18,646,616**	22,830,383
Trading of electronic student cards and school safety products	**41,886,646**	188,573,243
Trading and principal investments	**125,881,078**	216,716,425
Provision of stock information and research services	**72,197,138**	85,343,014
	303,572,537	569,615,774
Interests in associates	**34,944,709**	47,942,898
Unallocated	**161,866,367**	184,708,031
Consolidated assets	**500,383,613**	802,266,703

Segment liabilities	2016	2015
	HK$	*HK$*
Brokerage and securities margin financing services	**15,010,828**	17,272,918
Precious metals spot trading and brokerage	**301,625**	1,403,275
Trading of electronic student cards and school safety products	**368,761**	33,137,316
Trading and principal investments	**69,154**	194,076
Provision of stock information and research services	**323,271**	337,867
	16,073,639	52,345,452
Unallocated	**15,272,553**	19,204,887
Consolidated liabilities	**31,346,192**	71,550,339

Segment assets consist primarily of property, plant and equipment, intangible assets, statutory deposits and other assets, contingent consideration receivable, inventories, trade, and other receivables, deposits, loan receivables, financial assets at fair value through profit or loss and bank balances and cash.

Segment liabilities consists primarily of trade payables, other payables and accruals, current income tax payables and deferred income tax liabilities.

The Group mainly operates in Hong Kong and the PRC.

	2016	2015
	HK$	*HK$*
Revenue		
Hong Kong	**1,404,831**	3,259,347
The PRC	**7,491,584**	42,454,656
	8,896,415	45,714,003
Other income and net loss		
Hong Kong	**(94,933,943)**	(22,888,128)
The PRC	**3,277,561**	4,413,449
	(91,656,382)	(18,474,679)

Revenue from external customers are allocated based on the geographic areas in which the customer is located.

	2016	2015
	HK$	*HK$*
Specified non-current assets		
Hong Kong	**31,430,967**	33,315,851
The PRC	**41,302,165**	200,294,005
	72,733,132	233,609,856

Interest in associates are allocated based on the location of operations, property, plant and equipments, intangible assets, statutory deposits, deposit paid and other assets are allocated based on where the assets are located.

Information about major customers

During the year, one of the customers located in the PRC accounted for 50.3% of the Group's revenue in amount of HK$4,475,784, which was from segment of trading of electronic student cards and school safety products.

During 2015, one of the customers located in the PRC accounted for 43.5% of total revenue of the Group in the amount of HK$19,905,079, which was from the segment of provision of stock information and research services.

5. OTHER INCOME AND LOSS, NET

	2016	2015
	HK$	*HK$*
Other income		
CCASS fee income	**16,703**	42,160
Handling fee income	**42,679**	66,152
Interest income on bank deposits	**558,706**	323,632
Other interest income[1]	**3,100,262**	3,863,710
Dividend income	**6,146,271**	3,252,448
Sundry income	**828,632**	1,701,082
	10,693,253	9,249,184
Other loss, net		
Financial assets at fair value through profit or loss		
– Fair value losses on securities trading[2]	**(30,108,514)**	(32,641,510)
– Realized (losses)/gains on trading of securities[2]	**(71,729,841)**	4,293,289
– Exchange gain	**226,392**	559,689
– (Loss)/gain on disposal of property, plant and equipment	**(240,536)**	135,000
– Written off of property plant and equipment	**(497,136)**	(70,331)
	(102,349,635)	(27,723,863)
	(91,656,382)	(18,474,679)

[1] The other interest income of the Group are arising from the loan receivables. Included in the other interest income of the Group for the year ended 31 December 2015 was the HK$496,120 results from the court judgments on interest compensations from the Company's former Directors.

[2] "Other loss, net" includes realized and unrealized gains or losses on securities classified as held for trading. In previous years' consolidated financial statements, realized gains on securities classified as held for trading were included as revenue of the Group. Comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to conform with current year's classification.

6. FINANCE COSTS

	2016	2015
	HK$	*HK$*
Interest expenses on bank borrowings	**289,184**	344,576

7. LOSS BEFORE INCOME TAX

	2016	2015
	HK$	*HK$*
Loss before income tax has been arrived at after charging:		
Auditors' remuneration		
– audit services	**450,000**	450,000
– other services	**70,000**	190,000
Foreign exchange difference, net	**(229,655)**	331,121
Operating lease rentals in respect of rented premises	**4,790,470**	6,934,846
Legal and professional fee	**4,038,529**	1,498,084

8. INCOME TAX INCOME

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 year. No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred a tax loss for the year (2015: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2016	2015
	HK$	*HK$*
Current income tax:		
Current tax on profits for the year		
– PRC Enterprise Income Tax	**–**	563,302
Deferred tax income:		
Current year	**(32,879,188)**	(19,191,975)
Income tax income	**(32,879,188)**	(18,628,673)

Under the current general provision of the PRC enterprise income tax law and published tax circulars, deferred taxation has been provided for in the consolidated financial statements in respect of the withholding tax that would be payable on unremitted earnings of a PRC associate of the Group at the rate of 10%. As at 31 December 2016 and 2015, the deferred taxation provided for amounted to approximately HK$2,333,085 (2015: HK$4,168,371). No deferred tax liabilities have been recognized in respect of the unremitted earnings of PRC subsidiaries because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the tax rate applicable to losses of the consolidated entities as follows:

	2016	2015
	HK$	*HK$*
Loss before income tax	**(277,782,737)**	(79,676,433)
Tax calculated at company's domestic tax rate of 16.5% (2015: 16.5%)	**(45,834,151)**	(13,146,611)
Tax effects of:		
– Different tax rates of subsidiaries operating in other jurisdictions	**(12,935,058)**	(7,486,848)
– Income not subject to tax	**(1,107,133)**	(6,573,513)
– Expenses not deductible for tax purposes	**7,503,549**	1,120,476
– Others	**22,417**	807,994
– Unused tax losses not recognized	**19,778,241**	4,075,673
– Tax loss not allowable	**1,343,972**	2,342,726
– Prior year's tax losses utilized in this year	**–**	(4,089,450)
– (Reversal of)/provision of withholding tax	**(1,651,025)**	4,320,880
Income tax income	**(32,879,188)**	(18,628,673)

9. LOSS PER SHARE

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

	2016	2015
	HK$	*HK$*
Loss		
Loss for the purposes of basic and diluted loss per share	**(244,075,407)**	(62,850,046)

	2016	2015
Number of shares		
Issued ordinary shares at 1 January and 31 December	**6,498,958,120**	6,498,958,120
Weighted average number of ordinary shares in issue for calculating basic and diluted loss per share (Note)	**6,498,958,120**	6,498,958,120

	2016	2015
	HK$	*HK$*
Loss per share	**(0.0376)**	(0.0097)
Diluted loss per share	**(0.0376)**	(0.0097)

Note:

The computation of diluted loss per share for the years ended 31 December 2016 did not assume the exercise of the Company's share options outstanding during the year ended 31 December 2016 since their exercise would result in a decrease in loss per share.

10. INTANGIBLE ASSETS

	Software	Trading rights	Contractual customer relationship	Total
	HK$	*HK$*	*HK$*	*HK$*
As at 1 January 2015				
Cost	29,754,637	3,224,000	226,559,060	259,537,697
Accumulated amortization and impairment	(9,474,282)	(3,223,998)	–	(12,698,280)
Net book amount	20,280,355	2	226,559,060	246,839,417
Year ended 31 December 2015				
Opening net book amount	20,280,355	2	226,559,060	246,839,417
Currency translation difference	(934,878)	–	(7,976,520)	(8,911,398)
Amortization charge *(Notes (i, ii))*	(2,084,557)	–	–	(2,084,557)
Impairment *(Note (iii))*	–	–	(93,191,960)	(93,191,960)
Closing net book amount	17,260,920	2	125,390,580	142,651,502
As at 31 December 2015				
Cost	28,819,759	3,224,000	218,582,540	250,626,299
Accumulated amortization and impairment	(11,558,839)	(3,223,998)	(93,191,960)	(107,974,797)
Net book amount	17,260,920	2	125,390,580	142,651,502
Year ended 31 December 2016				
Opening net book amount	**17,260,920**	**2**	**125,390,580**	**142,651,502**
Currency translation difference	**(314,888)**	**–**	**(2,287,479)**	**(2,602,367)**
Amortization charge *(Notes (i, ii))*	**(1,974,295)**	**–**	**(15,387,888)**	**(17,362,183)**
Impairment *(Note (iii))*	**(14,971,737)**	**–**	**(107,715,213)**	**(122,686,950)**
Closing net book amount	**–**	**2**	**–**	**2**
As at 31 December 2016				
Cost	**26,528,746**	**3,224,000**	**201,996,340**	**231,749,086**
Accumulated impairment losses	**(21,402,586)**	**–**	**(187,290,563)**	**(208,693,149)**
Accumulated amortization	**(5,126,160)**	**(3,223,998)**	**(14,705,777)**	**(23,055,935)**
Net book amount	**–**	**2**	**–**	**2**

The amortization charge for the year is presented in the consolidated statement of profit or loss and other comprehensive income separately.

Notes:

(i) As at 31 December 2016 and 2015, the software mainly represents 天星通定位服務平臺軟件V2.0 (Registration No.: 2013SR144807), 天星通家校互動服務平臺軟件V2.0 (Registration No.: 2013SR144929), 天星通定位服務網站軟件V2.0 (Registration No: 2013SR145090) and 2.4G有源RFID激勵標簽嵌入式軟件 (Registration No: 2014SR037656) with the estimated useful life of 10 years.

(ii) The contractual relationships with customers were acquired through the acquisition of 深圳市天星通科技有限公司 (transliterated as Shenzhen Star Technology Co., Ltd) in previous year had been assessed to have indefinite useful lives because of the unspecified contractual period and the final school safety products are expected to be used continuously. There was no foreseeable limit to the period over which the asset was expected to generate net cash inflows for the Group. The recoverable amount of the contractual relationships with customers were estimated annually whether or not there is any indication of impairment at end of the prior year.

At the beginning of the year, the management of the Group reviewed the expected useful life of the contractual customer relationships and determined that the useful life assessment be changed from indefinite to finite of 8 years. The contractual customer relationships are carried at cost less accumulated amortization accordingly. Amortization is calculated using the straight-line method over the said expected useful life of the customer relationships.

(iii) For the purpose of impairment testing of the contractual relationships with customers and the software at 31 December 2016 and 2015, those intangible assets have been allocated to a CGU representing the operating activities of 深圳市天星通科技有限公司 (transliterated as Shenzhen Star Technology Co., Ltd). An impairment test of these intangible assets was carried out by management based on value-in-use calculation and with reference to business valuation conducted by an independent professional valuer.

Based on the impairment test performed, an impairment of RMB92,750,000 (2015: RMB76,000,000), which is equivalent to HK$107,715,213 (2015: HK$93,191,960) on contractual relationships with customers was made during the year. In year 2015, orders for electronic student cards were held up because the navigation chips of electronics cards and devices had to be changed to coordinate with the BeiDou Navigation Satellite system（北斗衛星導航系統）("BeiDou System"). 深圳市天星通科技有限公司 (transliterated as Shenzhen Star technology Co., Ltd.) started in second half of year 2015 to solicit domestic made chipset manufacturers and was now performing testing on the samples provided.

Despite the efforts by the management of 深圳市天星通科技有限公司 (transliterated as Shenzhen Star Technology Co., Ltd.) to change the navigator chips of electronic cards and devices of the school safety network to coordinate with BeiDou System, there had been technical issues regarding the high power consumption on tracking and positioning function of BeiDou chips, which needed to be resolved.

Profit guarantee from vendor of 深圳市天星通科技有限公司 (transliterated as Shenzhen Star technology Co., Ltd.) is not expected to be achieved due to the above-mentioned technical issues, which may be needed certain time to resolve. In this connection, full impairment to the value of contractual relationship with customers has to be made accordingly.

The management of the Group also considered the software were connected with the tracking and positioning of the navigator chips, which supporting the operation of student card business and the above-mentioned current status on the development of BeiDou System, a full impairment of RMB12,891,667 (2015: Nil), which is equivalent to HK$14,971,737 (2015: Nil) was made on the software during the year.

The recoverable amount of the contractual relationships with customers and software are determined based on value-in-use calculations by preparing cash flow projections of the relevant CGU derived from the most recent financial forecast approved by the management covering a three year period. The projected cashflows reflected the expected effects of the change of the navigating chips used in the products mentioned in above paragraph. The discount rate is the key assumptions used by the Group to determine the recoverable amount of the assets and CGU.

The pre-tax discount rate applied to cashflow projections is 29.14% (2015: 29.92%), which is arrived after the adjustment of the Weighted Average Cost of equity to pre-tax rate and cash flows beyond three years period are extrapolated without considering any growth rate. The discount rate used is based on market risk free interest rates adjusted for inflation differentials and also include the debt premium, market risk premium, specific risk on intangible assets, gearing corporate tax rate and asset beta.

(iv) The trading rights as at 31 December 2016 represent two (2015: two) trading rights on the Stock Exchange and one (2015: one) trading right on the Hong Kong Futures Exchange Limited ("HKFE").

11. INTERESTS IN ASSOCIATES

	2016	2015
	HK$	*HK$*
Share of net assets	**34,944,709**	47,942,898

During 2016, the impairment of interests in associates represents the full impairment on the investments in respect of 深圳中財贏通信息技術有限公司 (transliterated as Shenzhen Zhongcai Yingtong Information Technology Company Limited) and 首華(遼寧)農產品交易中心有限公司 (transliterated as First China (Liaoning) Agricultural Products Trading Centre Company Limited) due to continuing suspension of business of those associates during the year. The management of the Company do not expect any active business of these associates in foreseeable future.

In November 2015, there was a temporary suspension on the business operation of the Qianhai First China due to the commodities trading policies review conducted by the government of Qianhai. During 2016, the suspension continued to persist and the business operation of Qianhai First China had not yet resumed. The management considers it is appropriate to make the impairment on the interests in these associates, which is based on the realization basis of the associate's assets and liabilities at 31 December 2016 in case the suspension will be continued. As the carrying amount of the interests in such associate at 31 December 2016, after sharing the current year's profits and loss of the said associate, is lower than the recoverable amount, the management considers it is not necessary to make the further impairment on it.

The impairment loss made in year 2015 with reference to the estimation of the recoverable amounts which represents the present value of estimated future cash flows for the forthcoming one-year from the investment discounted at pre-tax rate of 26.92%. The discount rate used was based on market risk free interest rates adjusted for inflation differentials and also include the debt premium, market risk premium, gearing corporate tax rate and asset beta.

Details of the Group's associates as at 31 December 2016 are as follows:

Name	**Place of incorporation**	**Principal activities**	**Particulars of issued shares held**	**Interest held**
深圳中財贏通信息技術有限公司 (transliterated as Shenzhen Zhongcai Yingtong Information Technology Company Limited)	PRC, Limited liability company	Development and sales of software for information network equipment, terminal products and calculators in the PRC	Registered capital of RMB1,000,000	40%
深圳前海首華國際商品交易中心有限公司 (transliterated as Shenzhen Qianhai First China International Commodities Exchange Centre Limited	PRC, Limited liability company	Provision of trading platform for precious metal and provision of related consultancy services	Registered capital of RMB38,000,000 (of which RMB19,000,013 has been paid up as at 31 December 2016)	38%
首華(遼寧)農產品交易中心有限公司 (transliterated as First China (Liaoning) Agricultural Products Trading Centre Company Limited)	PRC, Limited liability company	Sale of agricultural products, provision of transportation services and e-commerce services	Registered capital of RMB225,000,000 (of which RMB2,000,000 has been paid up as at 31 December 2016.)	45%

All of the above associates are accounted for using the equity method in the consolidated financial statements.

The above associates are private companies and there is no quoted market value available.

Commitments in respect of associates

The Group has the following commitments relating to its associates:

	2016	2015
	HK$	*HK$*
Commitment to provide funding if called	**268,588,526**	286,269,045

Litigation in respect of associates

As at 31 December 2016, Qianhai First China has some unresolved legal cases relating to the contracts dispute with some investors. According to the legal opinion obtained from the Group's PRC lawyer, the court may lodge the judgement tends to favor the investors, are therefore Qianhai First China may need to compensate these investors accordingly. The claimed contracts amounts and related disbursement from the investors are RMB4,427,238 (equivalent to HK$4,913,659) in total.

There are no other contingent liabilities in respect of the associates at 31 December 2016.

12. TRADE RECEIVABLES

	2016	2015
	HK$	*HK$*
Amounts receivable arising from securities broking:		
Margin clients	**5,888,186**	1,972,037
Cash clients	**5,820,001**	4,231,651
Brokers and dealers	**7**	7
Hong Kong Securities Clearing Company Limited (net)	**428,834**	3,061,540
Other trade receivables	**2,449,061**	571,608
	14,586,089	9,836,843
Less: Provision for impairment loss	**(36,000)**	(36,000)
Trade receivables, net	**14,550,089**	9,800,843

Amounts receivable from margin clients are repayable on demand, bearing 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$25,580,000 as at 31 December 2016 (2015: 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 card 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 reporting period:

	2016	2015
	HK$	*HK$*
0-30 days	**2,268,463**	535,608
31-90 days	**–**	–
91-180 days	**144,598**	–
181-365 days	**–**	–
Over 365 days	**36,000**	36,000
	2,449,061	571,608

The maximum exposure to credit risk at the end of the 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. There is no recent history of default on the trade receivables.

As at 31 December 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:

	2016	2015
	HK$	*HK$*
At 1 January and at 31 December	**36,000**	36,000

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

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2016	2015
	HK$	*HK$*
Hong Kong dollars	**12,137,028**	9,265,235
RMB	**2,413,061**	535,608
	14,550,089	9,800,843

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
	HK$	*HK$*
Listed equity – held for trading		
Equity securities – Hong Kong	**63,967,620**	201,969,810

Stock code	Company name	No. of share held as at 31 December 2016	Approximately percentage of shareholding	Fair value as at 31 December 2016	Fair value loss on securities trading for 2016
				HK$	*HK$*
01335	Sheen Tai	83,152,000	3.80%	59,869,440	(29,934,720)
06898	China Aluminum	2,454,000	0.39%	4,098,180	(173,794)
				63,967,620	(30,108,514)

Financial assets at fair value through profit or loss are presented within "operating activities" as part of changes in working capital in the statement of cash flows.

Changes in fair values of financial assets at fair value through profit or loss are recorded in "other income and losses, net" in the 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.

14. AMOUNTS DUE FROM FORMER DIRECTORS

	2016	2015
	HK$	*HK$*
Amounts due from former Directors	**331,419**	831,419

The Securities and Futures Commission ("SFC") has served a petition under the Securities and Futures Ordinance against the Company, three former Directors (Mr. Yin Yingneng Richard, Mr. Wang Wenming and Mr. Lee Yiu Sun) of the Company in November 2012. At that time, SFC was seeking disqualification orders against such Directors and an order that the Company should itself or otherwise procure Aceview International Limited, a wholly owned subsidiary of the Company, to bring court proceedings against Fame Treasure Limited and/or other parties at fault to recover the dividend of RMB18,692,000 (equivalent to HK$23,268,362) with the interest accruing at 1% above the prime rate published by the HSBC from 31 December 2008 to the date hereof and thereafter at the judgment rate until the date of payment to the Company.

15. TRADE PAYABLES

	2016	2015
	HK$	*HK$*
Amounts payable arising from securities broking:		
Margin clients	**90,320**	2,352,874
Cash clients	**14,721,481**	14,322,759
Other trade payables	**5,897**	5,897
	14,817,698	16,681,530

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 each reporting period:

	2016	2015
	HK$	*HK$*
0-30 days	**–**	–
31-90 days	**–**	–
91-180 days	**–**	–
181-365 days	**–**	–
Over 365 days	**5,897**	5,897
	5,897	5,897

16. BORROWINGS

	2016	2015
	HK$	*HK$*
Borrowing included in current liabilities		
– Secured bank borrowings	**8,554,953**	10,494,013

Notes:

(a) The maturity of borrowings is as follows *(Note (c))*:

	2016	2015
	HK$	*HK$*
Within one year	**1,998,932**	1,939,954
In the second year	**2,059,731**	1,998,958
In the third to fifth year	**4,496,290**	6,369,133
Over five years	**–**	185,968
	8,554,953	10,494,013

(b) At 31 December 2016 and 2015, the bank borrowings of the Group were secured by the charges over the Group's land and buildings and corporate guarantees executed by the Company. At 31 December 2016 and 2015, the Group's bank borrowings are denominated in HK$, bearing floating interest rate of 3% (2015: 3%) per annum.

(c) The amounts due are based on the scheduled repayment dates set out in the loan agreement.

(d) The bank borrowings are shown under current liabilities as the loan agreement contain a repayment on demand clause.

17. DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31 December 2016 (2015: Nil).

BUSINESS REVIEW

The Group for the year ended 31 December 2016 recorded total turnover of approximately HK$46.9 million, which was a decrease of approximately HK$111.9 million compared with the last corresponding year. It was due to a record of proceeds from trading of securities of approximately HK$38.0 million for the year ended 31 December 2016, compared with approximately HK$113.1 million for the previous year, representing a decrease of approximately HK$75.1 million. Moreover, there were a decrease of consultancy fee income of approximately HK$20 million, a decrease of spot trading profits on precious metals contracts of approximately HK$10.7 million and also a decrease of commission income from precious metals brokerage of approximately HK$7.3 million when compared with that of the year ended 31 December 2015.

For proprietary stock trading, the Group recorded an unrealized loss of approximately HK$30.1 million and realized loss of approximately HK$71.7 million for the year ended 31 December 2016. It was mainly due to the market price of one of the stocks in the portfolio of the Group dropped materially on 30 September 2016.

For electronic student card business, due to encouragement from the People's Republic of China ("PRC") Government, the customers tend to prefer and use BeiDou Navigation Satellite System（北斗衛星導航系統）("BeiDou System"), the change of navigating chips of electronic cards and devices of the school safety network results in delay and postponement of orders by the customers pursuant to previously executed contracts. Although the Group has been securing sales from other contracts, the Group has been unable to receive large orders from previously executed contracts and the sizes of other contracts are insufficient to cover the operating costs of 深圳市天星通科技有限公司 (transliterated as Shenzhen Star Technology Co., Ltd) ("Shenzhen Star"). Despite the effort by the Group to change the navigating chips of electronic cards and devices of the school safety network to coordinate with the BeiDou System, there has been technical issues that the Group needs to resolve. The segment of the trading of electronic student cards and school safety products recorded a revenue of approximately HK$5.2 million and incurred an operating loss of approximately HK$113.4 million for the year ended 31 December 2016. The said segment recorded revenue and operating loss of approximately HK$2.1 million and approximately HK$57.9 million respectively for the year ended 31 December 2015. The operating loss included the impairment and amortization of intangible assets which are non-cash items and will have no impact on the Group's daily operations and cashflows.

As per the announcement dated 10 June 2016 of the Company, the final judgement handed down by South China International Economic and Trade Arbitration Commission (Shenzhen Court of International Arbitration) against Yang Shunhong that he shall repay the refundable earnest money of RMB20.0 million 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"), a wholly-owned subsidiary of the Company, together with penalty and legal costs, in relation to the proposed acquisition of 100% of the registered capital of 民勤量子新能源有限公司 (transliterated as Minqin Quantum New Energy Co. Ltd.). The proposed aquisition was terminated as announced by the Company on 29 May 2015.

As neither the refundable earnest money, penalty nor legal costs have been received by Shenzhen First China, our legal adviser has applied to the Intermediate People's Court in Suining City, Sichuan Province, China on behalf of Shenzhen First China to include Yang Shunhong in the list of restricted high consumption, the list of dishonest persons and the list of restricted departures. The management will negotiate with the vendors on the settlement of the said refundable earnest money paid and our legal adviser will continue to follow upon the settlement of the refundable earnest money with the court in the PRC.

Due to the tightened policy of the PRC Government on regulating the precious metals trading and brokerage business in the PRC, the Group recorded a decrease in trading gain on precious metals and commission income from brokerage services in precious metals for the year ended 31 December 2016. Trading gain on precious metal contracts is approximately HK$0.5 million, which is less than that of approximately HK$10.7 million as compared with the year ended 31 December 2015 and the commission income from precious metals brokerage was approximately HK$1.0 million when compared with that of approximately HK$8.3 million for the year ended 31 December 2015.

FINANCIAL REVIEW

Results of the Group

The Group recorded total turnover of approximately HK$46.9 million for the year ended 31 December 2016 as compared to total turnover of approximately HK$158.8 million for the previous year, representing a decrease of approximately HK$111.9 million or approximately 70.5%. The sharp decrease of turnover was primarily due to the decrease of proceeds from trading of securities, the lack of consultancy fee income and the decrease in trading gain on precious metals in the PRC.

The Group recorded a loss for the year amounted to approximately HK$244.9 million, compared with a loss of approximately HK$61.0 million for the corresponding year. The loss of the year encompassed the realized losses and unrealized fair value losses on securities trading of approximately HK$71.7 million and approximately HK$30.1 million respectively, compared with realized gains and unrealized fair value losses on securities trading of approximately HK$4.3 million and HK$32.6 million respectively for the previous year. It was mainly due to realized loss on the material drop on the price of one of the stocks in the portfolio of the Group during the year.

The loss also included the impairment of intangible assets of approximately HK$122.7 million, representing the residual value of acquisition of a subsidiary in 2014, compared with approximately HK$93.2 million for the previous year. The net impact of such impairment led to an operating loss for approximately HK$108.9 million which included the impairment and amortization of intangible assets, fair value of contingent consideration receivable and reversal of deferred tax liabilities (2015: approximately HK$57.9 million).

Due to the tightened policy of the PRC Government on regulating the precious metals trading and brokerage business in the PRC, the business operation of an associate has not resumed. The Group recorded approximately HK$8.93 million from share of loss (2015: share of profit of approximately HK$37.6 million) of associate for the year under review.

Liquidity and financial resources

The Group's current assets as at 31 December 2016 amounted to approximately HK$398.2 million compared with approximately HK$537.1 million as at 31 December 2015. Among them, the financial assets at fair value through profit or loss were approximately HK$64.0 million (2015: approximately HK$202.0 million). All the financial assets were invested in the equity securities listed in Hong Kong. As at 31 December 2016, the Group's cash and bank balances were approximately HK$255.0 million (2015: approximately HK$267.7 million) of which approximately HK$14.1 million (2015: approximately HK$24.4 million) were held on behalf of clients in trust and segregated accounts.

As at 31 December 2016, the Group's total borrowing amounted to approximately HK$8.6 million (2015: approximately HK$10.5 million), of which, approximately HK$2.0 million (2015: approximately HK$1.9 million) was repayable within one year. The borrowings were secured by charges over the Group's land and buildings as well as corporate guarantee issued by the Company. Taking into account of the amount of liquid assets in hand, the Broad is of the view that the Group has sufficient financial resources for future development of the existing business of the Group and other business when investment opportunities arise.

The equity attributable to the owners of the Company amounted to approximately HK$462.8 million as at 31 December 2016, representing a decrease of approximately HK$260.9 million, or 36.0% from that of 31 December 2015. The decrease was mainly due to loss for the year attributable to the owners of the Company.

The Group manages the foreign exchange exposure arising from its normal course of business activities and investments in foreign operations by funding its local operations and investments through cash flow generated from business transaction locally. As at the end of the year, the Group did not have any material un-hedged foreign exchange exposure of interest rate mismatch.

Capital structure

As at 31 December 2016, the Company's issued share capital was 6,498,958,120 shares of HK$0.01 each.

Precious metals spot trading and brokerage

The revenue of this segment recorded approximately HK$1.5 million for the year ended 31 December 2016, as compared to approximately HK19.6 million for the previous year, plunged approximately 92.3% or approximately HK$18.1 million. It was mainly attributable to the tightened policy of the PRC Government on regulating the precious metals trading and brokerage business in the PRC in which the Group operated. It reported an operating loss of approximately HK$2.0 million for the year ended 31 December 2016, as compared to an operating profit of approximately HK$4.5 million for the previous year.

Stock information and research services

No consultancy fee income was received from 深圳前海首華國際商品交易中心有限公司 (transliterated as Shenzhen Qianhai First China International Commodities Exchange Centre Limited), an associated company of the Company. During the year under review, as compared to approximately HK$19.9 million for previous year. The Group held 38% interest in this associated company, which reported an operating loss of approximately HK$6.9 million for the year, compared with profit of approximately HK13.0 million during last corresponding year.

Trading of electronic student cards and school safety products

This segment began to contribute to the Group. It recorded approximately HK$5.2 million of revenue for the year under review compared with approximately HK$2.1 million for the same period last year. It is principally engaged in development and exploration of various telecommunication technologies in the PRC, in particular, electronic student card for school safety network. For the year under review, the navigating chips of electronic student cards and devices needed to change to operate in coordination with the BeiDou System, a system preferred by the PRC Government. The Group is studying to modify the devices in order to deal with the power consumption issues. It led to a slow down in the production of electronic student cards and devices and incurred an operating loss of approximately HK$113.4 million, included an impairment of intangible assets for approximately HK$122.7 million (2015: approximately HK$93.2 million). The net loss of this segment included increase of fair value of contingent consideration receivable and reversal of deferred tax liabilities, for the year ended 31 December 2016 and it recorded a loss of approximately HK$57.9 million for the last corresponding period.

Brokerage and securities margin financing service

Total revenue of this segment recorded approximately HK$1.4 million for the year ended 31 December 2016, compared with approximately HK$3.3 million for the same period last year. There was a decrease of approximately 57.6% from that of previous year in line with an decrease of 37.1% of the average turnover of the Hong Kong equity market. This segment loss reached approximately HK$4.1 million while loss of approximately HK$1.5 million for the last corresponding period.

Trading and principal investments

The securities trading recorded a realized loss of approximately HK$71.7 million while it recorded a trading gain of approximately HK$4.3 million in the previous year. It recorded a fair value losses of approximately HK$30.1 million for the year under review compared with fair value losses of approximately HK$32.6 million of the previous year, due to realized loss on one of the stocks sold in the portfolio of the Group due to its market price dropped materially in the year. This assignment showed an operating loss of approximately HK$102.6 million for the year 31 December 2016 and it recorded a loss of approximately HK$29.4 million last year.

Wealth management services

This segment did not record any revenue for the last year and corresponding period.

OUTLOOK

Looking forward, the Group will continue to develop our current businesses, such as (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) research, exploration and development of the student safety network project and the electronic student cards in the PRC, and (v) provision of stock information and research services through the internet network in the PRC.

Regarding the electronic student card business, the Group will endeavor to resolve the technical issues mentioned in the business review. It is expected that the change of navigating chips of electronic cards and devices of the school safety network which coordinate with the BeiDou Navigation Satellite System（北斗衛星導航系統）can improve and enhance the revenue of the electronic student card business.

Despite Hong Kong stock market downturn, the Group is confident and optimistic about the prospects of the stock market. We will closely monitor the changes in the stock market in order to increase profit or prevent the loss for the Group.

For the refundable earnest money of RMB20.0 million, our legal adviser of the Group will follow up to recover such refundable earnest money, penalty and legal costs on behalf of Shenzhen First China, in relation to the proposed acquisition of 100% of the registered capital of 民勤量子新能源有限公司 (transliterated as Minqin Quantum New Energy Co. Ltd.) which was terminated by the Group.

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.

CHARGES ON ASSETS

Property, plant and equipment of the Group with a carrying amount of approximately HK$30.8 million (2015: approximately HK$32.4 million) were pledged for banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any contingent liabilities (2015: Nil).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES/FUTURE PLAN FOR MATERIAL INVESTMENTS

There was no other material acquisition/disposal which would have been required to be disclosed under the GEM Listing Rules for the year under review. At present, the Group has no concrete plans for any material investments.

EMPLOYEE INFORMATION

As at 31 December 2016, the Group had a workforce of 80 employees (2015: 173). Due to suspended precious metals spot trading and brokerage business, the Group decreased 57 sales representatives in the year. The total staff costs, including directors' emoluments, amounted to approximately HK$17.9 million for the year ended 31 December 2016 (2015: approximately HK$37.2 million). The Group's remuneration policies are reviewed on an annual basis and commensurate with the industry pay level. The remuneration package includes basic salary, provident fund, medical benefits and discretionary bonus. The Group has also adopted a new share option scheme as an added incentive for its employees.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

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

CORPORATE GOVERNANCE PRACTICES

The Board assumes overall responsibility for the leadership and control of the Group, including providing and setting the Group's directions and strategies in the interests of the Group. It believes in good corporate governance and corporate governance practices that promote investor confidence, development of the Group, and transparency while having the long term interest of the Group and enhancement of shareholders' value as the ultimate objectives. It has adopted the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules (the "Corporate Governance Code"). The Company has complied with the applicable code provisions of the Corporate Governance Code, except for the following deviation:

CODE PROVISION A.2.1

Code Provision A.2.1 stipulates that the roles of chairman and chief executive 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

The Company has established an Audit Committee with specific written terms of reference. As at 31 December 2016, the Audit Committee consists of three independent non-executive directors, Mr. Li Jianxing, Professor Zhang Benzheng and Mr. Chen Shu Wen. Mr. Li Jianxing, being an independent non-executive director, is the chairman of the Committee. The Audit Committee's role and function includes making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor; review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; develop and implement policy on the engagement of an external auditor to supply non-audit services; monitor the integrity of financial statements, annual reports and accounts, half-yearly and quarterly reports of the Company, and review significant financial reporting judgments contained in them; review the Company's financial controls, internal control and risk management systems; and review the Group's financial and accounting policies, procedures and practices.

The Audit Committee have reviewed the consolidated financial statements of the Group for the year ended 31 December 2016 pursuant to the relevant provisions contained in the Corporate Governance Code And Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules and were of the opinion that such statements had complied with applicable accounting standards and that adequate disclosures had been made in respect thereof.

The Audit Committee held five meetings during the year and the attendance of its members was as follows:

Members	**Attendance number of meetings attended/ Number of meetings during term of service**
Li Jianxing	5/5
Zhang Benzheng	5/5
Chen Shu Wen	5/5

By order of the Board
First China Financial Network Holdings Limited
Wang Jiawei
Chairman

Hong Kong, 20 March 2017

As of the date of this announcement, 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 Benzheng, Mr. Li Jianxing and Professor Chen Shu Wen.

This announcement will remain on the "Latest Company Announcements" page of the website of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited at http://www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at http://www.firstchina.hk.