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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)

PROFIT WARNING

This announcement is made by the Company pursuant to Rule 17.10 of the GEM Listing Rules and Inside Information Provisions (as defined in the GEM Listing Rules) under Part XIVA of the SFO.

The Board wishes to inform the shareholders of the Company and potential investors that the Group is expected to record an increased loss for the year ended 31 December 2016. Information contained in this announcement is only based on the preliminary assessment by the Board with reference to the Group's unaudited management accounts and on the information currently available for the time being, but not on any data or information audited or reviewed by the independent auditors of the Company.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by First China Financial Network Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and Inside Information Provisions (as defined in the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)(the “**SFO**”).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform the shareholders of the Company and potential investors that the Group is expected to record an estimated loss of around HK\$249.4 million for the year ended 31 December 2016 (the “**Reporting Period**”), as compared with the loss of approximately HK\$61.0 million for the year ended 31 December 2015 (the “**Corresponding Period**”).

The increase in loss was mainly attributable to, among others, (i) the increased impairment loss of intangible assets in the amount of approximately HK\$122.7 million in the Reporting Period when compared with that of approximately HK\$93.2 million in the Corresponding Period; (ii) the increased realized and unrealized losses on the Group's proprietary trading of securities of approximately HK\$101.8 million in the Reporting Period when compared with that of approximately HK\$28.3 million in the Corresponding Period; (iii) the decreased trading gain on precious metals and commission income from brokerage services in precious metals in the People's Republic of China ("PRC") of approximately HK\$1.5 million in aggregate in the Reporting Period when compared with that of approximately HK\$19.5 million in aggregate in the Corresponding Period; and (iv) the lack of consultancy fee income 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) ("SQFC") in the Reporting Period when compared with that of approximately HK\$19.9 million in the Corresponding Period and share of loss from SQFC of approximately HK\$8.9 million in the Reporting Period when compared with the share of profit of approximately HK\$37.6 million in the Corresponding Period.

Impairment loss of intangible assets

The intangible assets relate to 深圳市天星通科技有限公司 (transliterated as Shenzhen Star Technology Co., Ltd) ("**Shenzhen Star**"), the Group's operating unit engaged in trading of electronic student cards and school safety products in China. The intangible assets of Shenzhen Star as at 31 December 2015 were approximately HK\$142.6 million, representing mainly the value of the contractual relationships entered into between Shenzhen Star and its customers at the time of acquisition of Shenzhen Star by the Group in 2014 and capitalized software. As disclosed in the annual report of the Company for the Corresponding Period, the introduction of the BeiDou Navigation Satellite System (北斗衛星導航系統) (the "**BeiDou System**") resulted in the delay and postponement of orders by the customers pursuant to the previously executed contracts thus the sales and trading of electronic student cards and school safety products was less than expected. Although the Group has been securing sales from new contracts, the Group has been unable to receive large orders from previously executed contracts and the sizes of new contracts are insufficient to cover the operating costs of Shenzhen Star. The management considers that the trend will continue in the foreseeable future, because customers tend and prefer to use BeiDou System. 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. As such, it is uncertain whether the Group would be able to change the navigating chips of electronic cards and devices of the school safety network to coordinate with the BeiDou System. The management considers it appropriate to fully impair the intangible assets in respect of the previously executed contracts and having taken into account the exchange rate difference, the impairment of the intangible assets amounted to approximately HK\$122.7 million for the Reporting Period. The Board would like to emphasize that this impairment loss on intangible assets is a non-cash item which will have no impact on the Group's daily operations and cashflows.

Realized and unrealized losses on the Group's proprietary trading of securities

During the Reporting Period, the Group recorded realized losses of approximately HK\$71.7 million from the disposal of certain financial assets as compared with realized gain of approximately HK\$4.3 million for the Corresponding Period. The Group is also expected to record unrealized losses on financial assets at fair value through profit or loss of approximately HK\$30.1 million, which is slightly less than that of approximately HK\$32.6 million as compared with the Corresponding Period. The Board would like to emphasize that the unrealized losses have no effect on the cashflows of the Group.

Trading gain on precious metals and commission income from brokerage services in precious metals 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 in the Reporting Period. Trading gain on precious metal contracts is approximately HK\$0.5 million in the Reporting Period, which is less than that of approximately HK\$11.2 million as compared with the Corresponding Period and the commission income from precious metals brokerage was approximately HK\$1.0 million when compared with that of approximately HK\$8.3 million in the Corresponding Period.

Lack of consultancy fee income and share of loss from SQFC

As disclosed in the Company's annual report for the Corresponding Period, there was a temporary suspension on the business operation of SQFC in November 2015 due to the commodities trading policies review conducted by the government of Qianhai. The situation is still persisting and therefore the business operation of SQFC has not resumed. As such, there was no consultancy fee income from SQFC and the loss from SQFC representing mostly the maintenance costs and expenses.

The Company is still in the process of finalizing the Group's annual results for the Reporting Period. Information contained in this announcement is only based on the preliminary assessment by the Board with reference to the Group's unaudited management accounts and on the information currently available for the time being, but not on any data or information audited or reviewed by the independent auditors of the Company, and is therefore subject to necessary adjustments. Shareholders of the Company and potential investors are advised to read the Group's annual results announcement for the year ended 31 December 2016 which is expected to be published before the end of March 2017.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 3 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 Benzhen, Mr. Li Jianxing and Professor Chen Shu Wen.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief 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.

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>.