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Jun Yang Financial Holdings Limited
君陽金融控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 397)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

FINANCIAL HIGHLIGHT

The Group recorded revenue from continuing operations of approximately HK\$70,555,000 (2015: approximately HK\$131,152,000).

- Loss attributable to owners of the Company from continuing operations and discontinued operation amounted to approximately HK\$926,717,000 (2015: approximately HK\$191,838,000). The loss was mainly attributable to the loss arising on change in fair value of held-for-trading investments and impairment loss of available-for-sale investments.
- The Board does not recommend the payment of any dividend.

At 31 December 2016:

- The Group held cash and cash equivalents of approximately HK\$182,286,000 (2015: approximately HK\$461,301,000). The Group held loan receivables of approximately HK\$27,830,000 (2015: approximately HK\$410,632,000) and held-for-trading investments of approximately HK\$1,916,926,000 (2015: approximately HK\$2,139,475,000 (restated)) respectively.
- Net current assets amounted to approximately HK\$2,473,499,000 (2015: approximately HK\$2,882,751,000). Current ratio (defined as total current assets divided by total current liabilities) was 9.89 times (2015: 4.90 times).
- Net assets amounted to approximately HK\$2,874,138,000 (2015: approximately HK\$3,582,888,000).
- The Group had bank and other borrowings of approximately HK\$280,800,000 (2015: approximately HK\$437,774,000).

RESULTS

The board (the “Board”) of directors (the “Directors”) of Jun Yang Financial Holdings Limited (the “Company” or “Jun Yang Financial”) announces the audited consolidated final results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016 together with figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

| | NOTES | 2016 HK\$'000 | 2015 HK\$'000 |
|---|-------|-------------------------|-------------------------|
| Continuing Operations | | | |
| Revenue | 3 | 70,555 | 131,152 |
| Direct operating costs | | <u>(16,981)</u> | <u>(27,921)</u> |
| Gross profit | | 53,574 | 103,231 |
| Other income, gains and losses | 5 | (833,864) | (99,923) |
| Administrative expenses | | (74,715) | (99,308) |
| Share of results of associates | | (17,591) | (42,466) |
| Finance costs | 6 | <u>(43,131)</u> | <u>(10,443)</u> |
| Loss before tax | | (915,727) | (148,909) |
| Income tax expense | 7 | <u>(5,847)</u> | <u>(7,044)</u> |
| Loss for the year from continuing operations | 9 | (921,574) | (155,953) |
| Discontinued Operation | | | |
| Loss for the year from discontinued operation | 8 | <u>(5,986)</u> | <u>(36,272)</u> |
| Loss for the year | | <u><u>(927,560)</u></u> | <u><u>(192,225)</u></u> |

| | <i>NOTES</i> | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|---|--------------|-------------------------|-------------------------|
| Other comprehensive (income)/expense | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences arising on translation | | (5,712) | (25,578) |
| Share of other comprehensive expense of associates | | (8,312) | (5,003) |
| Reclassification adjustment for cumulative loss included in profit or loss upon disposal of a foreign operation | | <u>12,767</u> | <u>152</u> |
| Other comprehensive expense for the year, net of income tax | | <u>(1,257)</u> | <u>(30,429)</u> |
| Total comprehensive expense for the year | | <u>(928,817)</u> | <u>(222,654)</u> |
| Loss for the year attributable to owners of the Company: | | | |
| Continuing operations | <i>11</i> | (921,205) | (155,578) |
| Discontinued operation | | <u>(5,512)</u> | <u>(36,260)</u> |
| | | <u>(926,717)</u> | <u>(191,838)</u> |
| Loss for the year attributable to non-controlling interests | | | |
| Continuing operations | | (369) | (375) |
| Discontinued operation | | <u>(474)</u> | <u>(12)</u> |
| | | <u>(843)</u> | <u>(387)</u> |
| Total comprehensive expense for the year attributable to: | | | |
| Owners of the Company | | (927,974) | (222,267) |
| Non-controlling interests | | <u>(843)</u> | <u>(387)</u> |
| | | <u>(928,817)</u> | <u>(222,654)</u> |
| Loss per share | | | |
| <i>For continuing and discontinued operation</i> | | | |
| – Basic (HK cents) | | <u>(41.22)</u> | <u>(21.86)</u> |
| – Diluted (HK cents) | | <u>(41.22)</u> | <u>(21.86)</u> |
| Loss per share | | | |
| <i>For continuing operations</i> | | | |
| – Basic (HK cents) | | <u>(40.98)</u> | <u>(17.73)</u> |
| – Diluted (HK cents) | | <u>(40.98)</u> | <u>(17.73)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2016

| | <i>NOTES</i> | 2016 HK\$'000 | 2015 <i>HK\$'000</i> (Restated) |
|-------------------------------------|--------------|--------------------------------|---------------------------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 60,916 | 457,701 |
| Goodwill | | 808 | 808 |
| Interests in associates | | 80,191 | 69,844 |
| Available-for-sale investments | | 358,499 | 374,041 |
| Loan receivables | | – | 1,037 |
| Other assets | | 225 | 611 |
| | | 500,639 | 904,042 |
| CURRENT ASSETS | | | |
| Loan receivables | | 27,830 | 409,595 |
| Amount due from an associate | | 77,287 | – |
| Trade and other receivables | <i>12</i> | 441,701 | 494,296 |
| Value-added tax recoverable | | – | 47,825 |
| Held-for-trading investments | | 1,916,926 | 2,139,475 |
| Bank trust account balances | | 60,993 | 69,125 |
| Bank balances and cash | | 182,286 | 461,301 |
| | | 2,707,023 | 3,621,617 |
| Assets classified as held for sales | | 44,761 | – |
| | | 2,751,784 | 3,621,617 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | <i>13</i> | 86,802 | 284,176 |
| Derivative financial instruments | | – | 454 |
| Deferred income | | – | 10,679 |
| Tax payable | | 10,683 | 5,783 |
| Bank and other borrowings | | 180,800 | 437,774 |
| | | 278,285 | 738,866 |

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> (Restated) |
|---|--------------------------------|---------------------------------------|
| NET CURRENT ASSETS | <u>2,473,499</u> | <u>2,882,751</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | <u>2,974,138</u> | <u>3,786,793</u> |
| NON-CURRENT LIABILITIES | | |
| Deferred income | – | 203,905 |
| Bank and other borrowings | <u>100,000</u> | <u>–</u> |
| | <u>100,000</u> | <u>203,905</u> |
| | <u>2,874,138</u> | <u>3,582,888</u> |
| CAPITAL AND RESERVES | | |
| Share capital | 29,117 | 195,904 |
| Reserves | <u>2,839,919</u> | <u>3,383,520</u> |
| Equity attributable to owners of the Company | <u>2,869,036</u> | <u>3,579,424</u> |
| Non-controlling interests | <u>5,102</u> | <u>3,464</u> |
| Total equity | <u>2,874,138</u> | <u>3,582,888</u> |

NOTES

1. GENERAL

Jun Yang Financial Holdings Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s registered office is situated at Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda, and its head office and principal place of business in Hong Kong is situated at 6/F, Fung House, 19-20 Connaught Road Central, Hong Kong.

The Group is principally engaged in financial service business, money lending business and assets investment.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) which is the same as the functional currency of the Company.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

| | |
|--|--|
| Amendments to HKFRS 11 | Accounting for acquisitions of interest in joint operations |
| Amendments to HKAS 1 | Disclosure initiative |
| Amendments to HKAS 16 and HKAS 38 | Clarification of acceptable methods of depreciation and amortisation |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer plants |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment entities: Applying the consolidation exception |
| Amendments to HKFRSs | Annual improvements to HKFRSs 2012-2014 cycle |

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/ or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

| | |
|------------------------------------|--|
| HKFRS 9 | Financial instrument ¹ |
| HKFRS 15 | Revenue from contracts with customers and the related amendments ¹ |
| HKFRS 16 | Leases ² |
| Amendments to HKFRS 2 | Classification and measurement of share-based payment transactions ¹ |
| Amendments to HKFRS 4 | Apply HKFRS 9 “Financial instruments” with HKFRS 4 “Insurance contracts” ¹ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture ³ |
| Amendments to HKAS 7 | Disclosure initiative ⁴ |
| Amendments to HKAS 12 | Recognition of deferred tax assets for unrealised losses ⁴ |
| Amendments to HKFRSs | Annual improvements to HKFRSs 2014-2016 cycle ⁵ |

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2017.

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 Financial instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (“FVTOCI”). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "Financial instruments". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial instruments and risk management policies as at 31 December 2016:

For entities with available-for-sales investments and financial assets at amortised cost

Application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria).

HKFRS 15 Revenue from contracts with customers

HKFRS 15 was issued which establishes 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, HKAS 11 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.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported (e.g. fee and commission income on placing and underwriting activities) as the timing of revenue recognition may be affected and the amounts of revenue recognised are subject to variable consideration constraints, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases 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 recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK\$1,311,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Amendments to HKAS 7 Disclosure initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

3. REVENUE

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

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Continuing Operations | | |
| Interest income from money lending | 10,418 | 26,571 |
| Income from financial services | | |
| – Commission income from securities brokerage | 10,423 | 10,806 |
| – Commission income from placing and underwriting | 20,679 | 86,238 |
| – Interest income from clients | 29,035 | 7,537 |
| | <u>70,555</u> | <u>131,152</u> |
| Discontinued Operation | | |
| Income from green energy operation | | |
| – Provision of consultancy services | 4,409 | 3,820 |
| – Sales of electricity | 49,160 | 36,323 |
| | <u>53,569</u> | <u>40,143</u> |

4. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance.

The Group's reportable and operating segments under HKFRS 8 are as follows:

- Assets investment segment – Investment in listed and unlisted securities and investment funds;
- Green energy segment – Provision of green energy related consultancy services and sales of electricity in the People's Republic of China (the "PRC");
- Money lending segment – Provision of loan financing in Hong Kong; and
- Financial services segment – Provision of financial services including securities broking, placing and underwriting in Hong Kong.

In current year, the Group loss its controlling interest in Jun Yang Solar Power Investment Holdings Limited ("Jun Yang Solar Power") and the operating segment regarding green energy segment was discontinued as a result, described in more detail in Note 8.

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segments:

For the year ended 31 December 2016

Continuing Operations

| | Continuing operations | | | Total <i>HK\$'000</i> |
|--------------------------------|--|--|---|--------------------------|
| | Assets investment segment <i>HK\$'000</i> | Money lending segment <i>HK\$'000</i> | Financial services segment <i>HK\$'000</i> | |
| Revenue | | | | |
| Segment revenue | - | 10,418 | 60,137 | 70,555 |
| Results | | | | |
| Segment results | (852,183) | 7,937 | 31,443 | (812,803) |
| Unallocated corporate income | | | | 1,253 |
| Unallocated corporate expenses | | | | (43,455) |
| Finance costs | | | | (43,131) |
| Share of results of associates | | | | (17,591) |
| Loss before tax | | | | (915,727) |

For the year ended 31 December 2015

Continuing Operations

| | Continuing operations | | | Total <i>HK\$'000</i> |
|--------------------------------|--|--|---|--------------------------|
| | Assets investment segment <i>HK\$'000</i> | Money lending segment <i>HK\$'000</i> | Financial services segment <i>HK\$'000</i> | |
| Revenue | | | | |
| Segment revenue | - | 26,571 | 104,581 | 131,152 |
| Results | | | | |
| Segment results | (111,333) | 4,696 | 44,189 | (62,448) |
| Unallocated corporate income | | | | 2,771 |
| Unallocated corporate expenses | | | | (36,323) |
| Finance costs | | | | (10,443) |
| Share of results of associates | | | | (42,466) |
| Loss before tax | | | | (148,909) |

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the year ended 31 December 2016 (2015: nil).

There is no single customer constituting over 10% of the total sales of the Group during both years.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss) profit from each segment without allocation of directors' emoluments, certain other income, gains and losses and certain administrative expenses, finance costs and share of results of associates. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

5. OTHER INCOME, GAINS AND LOSSES

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Continuing Operations | | |
| Interest income | 949 | 1,791 |
| Sundry income | 2,883 | 871 |
| Placing commission rebate | – | 16,518 |
| Dividend income from available-for-sale investments | 6,033 | 19,900 |
| Dividend income from held-for-trading investments | 12,091 | 1,280 |
| Fair value changes of held-for-trading investments | (790,225) | (58,224) |
| Gain on disposal of available-for-sale investments | 30,647 | – |
| Gain on disposal of subsidiaries | – | 245 |
| Fair value change of derivative financial instruments | 454 | (230) |
| Impairment loss of available-for-sale investments | (84,733) | (82,074) |
| Impairment on goodwill | (11,963) | – |
| | <u>(833,864)</u> | <u>(99,923)</u> |

6. FINANCE COSTS

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Continuing Operations | | |
| Interest on bank and other borrowings | 18,521 | 2,067 |
| Interest on loan notes | 24,610 | 8,376 |
| | <u>43,131</u> | <u>10,443</u> |

7. INCOME TAX EXPENSE

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Continuing Operations | | |
| Current tax: | | |
| – Hong Kong Profits Tax | 5,894 | 6,910 |
| – (Over) under provision in prior years | <u>(47)</u> | <u>134</u> |
| Tax expense for the year | <u><u>5,847</u></u> | <u><u>7,044</u></u> |

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profit for the year.

8. DISCONTINUED OPERATION

On 19 August 2016, the Company entered into an agreement with Lucky Famous Limited (“Lucky Famous”), an independent third party, to dispose of 30% of its shareholding in Jun Yang Solar Power which carried out all of the Group’s green energy operation, at a cash consideration of HK\$34,500,000 (“First Disposal”).

On 13 October 2016, the Company entered into an agreement with Charm Sino Limited (“Charm Sino”), an independent third party, to dispose of 17.5% of its shareholding in Jun Yang Solar Power which the Company was holding 70% after the First Disposal, at a cash consideration of HK\$20,500,000 (“Second Disposal”).

On 1 November 2016, the Company entered into an agreement with Lucky Famous to dispose of 5% of its shareholding in Jun Yang Solar Power which the Company was holding approximately 52.5% after the Second Disposal, at a cash consideration of HK\$5,790,000 (“Third Disposal”). Immediately after the completion of the Third Disposal, the Company no longer has control over Jun Yang Solar Power. Accordingly, Jun Yang Solar Power ceased to be a subsidiary of the Group from 1 November 2016.

The profit (loss) for the year from the discontinued operation is set out below. The comparative figures in the consolidated statement of profit and loss and other comprehensive income have been restated to re-present the green energy operation as a discontinued operation.

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Profit (loss) of green energy operation for the period/year | 11,439 | (36,272) |
| Loss on disposal | <u>(17,425)</u> | <u>–</u> |
| | <u><u>(5,986)</u></u> | <u><u>(36,272)</u></u> |

The results of the green energy operation for the period from 1 January 2016 to 31 October 2016, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

| | Period ended 31 October 2016 <i>HK\$'000</i> | Year ended 31 December 2015 <i>HK\$'000</i> |
|---|---|--|
| Revenue (<i>Note 3</i>) | 53,569 | 40,143 |
| Cost of sales | <u>(26,967)</u> | <u>(25,114)</u> |
| Gross profit | 26,602 | 15,029 |
| Other income | 8,150 | 12,499 |
| Administrative expenses | (11,439) | (15,558) |
| Impairment loss of property, plant and equipment | (6,111) | (44,297) |
| Finance costs | <u>(5,580)</u> | <u>(4,232)</u> |
| Profit (loss) before tax | 11,622 | (36,559) |
| Income tax (credit) expense | <u>(183)</u> | <u>287</u> |
| Profit (loss) for the period/year | <u>11,439</u> | <u>(36,272)</u> |
| Profit (loss) for the period/year from discontinued operations arrived at after charging (crediting): | | |
| Total staff costs | 4,311 | 4,957 |
| Depreciation of property, plant and equipment | 22,608 | 22,820 |
| Loss on disposal of property, plant and equipment | 9,165 | 101 |
| Operating lease payments in respect of office premises and warehouse | 1,141 | 1,496 |
| Exchange gain, net | (1,336) | (3,998) |
| Interest income | (489) | (1,088) |
| Government grant | <u>(8,936)</u> | <u>(11,411)</u> |

9. LOSS FOR THE YEAR

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Loss for the year for continuing operations has been arrived at after charging (crediting): | | |
| Staff costs: | | |
| Directors' emoluments | 8,370 | 28,119 |
| Other staff costs | 24,211 | 9,428 |
| Other staff retirement benefits scheme contributions | 570 | 360 |
| Equity-settled share-based payments (Including directors' equity-settled share-based payments of HK\$5,015,000 (2015:HK\$12,760,000)) | 8,435 | 27,634 |
| | <u>41,586</u> | <u>65,541</u> |
| Depreciation of property, plant and equipment | 2,245 | 966 |
| Loss on disposals of property, plant and equipment | 468 | 56 |
| Auditors' remuneration | 1,180 | 815 |
| Operating lease rentals in respect of land and buildings | 4,577 | 1,815 |
| Net foreign exchange loss | 61 | 98 |

10. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2016, nor has any dividend been proposed since the end of the reporting period (2015: Nil).

11. LOSS PER SHARE

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

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|---|--------------------------------|-----------------------------------|
| Loss for the year from continuing and discontinued operations attributable to owners of the Company | (926,717) | (191,838) |
| <i>Less: loss for the year from discontinued operation</i> | <u>5,512</u> | <u>36,260</u> |
| Loss for the purpose of basic and diluted loss from continuing operations | <u>(921,205)</u> | <u>(155,578)</u> |
| | 2016 <i>'000</i> | 2015 <i>'000</i> (Restated) |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | <u>2,248,058</u> | <u>877,610</u> |
| | <u>2,248,058</u> | <u>877,610</u> |

The weighted average number of ordinary shares for the year ended 31 December 2016 for the purpose of basic and diluted loss per share has been adjusted to reflect the capital reorganisation completed on 6 April 2016.

The weighted average number of ordinary shares for the year ended 31 December 2015 for the purpose of basic and diluted loss per share has been adjusted and restated respectively to reflect the capital reorganisation completed on 6 April 2016 and the bonus element of open offer completed on 10 June 2015.

From discontinued operation

Basic and diluted loss per share for the discontinued operation are HK0.24 cents and HK0.24 cents per share, respectively (2015: Basic and diluted loss per share for the discontinued operation are HK\$4.13 cents and HK\$4.13 cents per share, respectively), based on the loss for the year from the discontinued operation of HK\$5,512,000 (2015: loss for the year from discontinued operation of HK\$36,260,000) and the denominators detailed above for both basic and diluted loss per share.

The computation of diluted loss per share for the year ended 2016 and 2015 did not assume the exercise of outstanding share options of the Company since the assumed exercise would result in a decrease in loss per share.

12. TRADE AND OTHER RECEIVABLES

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> (Restated) |
|---|-------------------------|---------------------------------------|
| Trade receivables from: | | |
| Green energy operation (<i>note (i)</i>) | – | 8,926 |
| Financial services operation | | |
| – Clients (<i>note (ii) and (iii)</i>) | 418,275 | 453,303 |
| – Clearing house (<i>note (ii)</i>) | 55 | – |
| Less: provision from impairment of trade receivables from clients | <u>(1,173)</u> | <u>(333)</u> |
| | 417,157 | 461,896 |
| Other receivables | <u>24,544</u> | <u>32,400</u> |
| Total trade and other receivables | <u>441,701</u> | <u>494,296</u> |

Notes:

- (i) The Group allows an average credit period of 30 to 90 days to its trade customers for green energy operation. As at 31 December 2015, the trade receivables from the green energy operation aged within 90 days and was not past due nor impaired.
- (ii) Trade receivables from clients and clearing house arising from the business of dealing in securities are repayable on demand subsequent to settlement date. The normal settlement terms of trade receivables arising from the business of dealing in securities are two business days after trade date. No ageing analysis is disclosed as, in the opinion of the directors, an ageing analysis does not give additional value in view of nature of these trade receivables.
- (iii) Trading limits are set for customers. The Group seeks to maintain tight control over its outstanding trade receivables in order to minimise credit risk. As at 31 December 2016, the balance is HK\$418,275,000 (2015: HK\$453,303,000) which is regularly monitored by the management. The management ensure that the listed equity securities belonged to clients in which the Group holds as custodian are sufficient to cover the amounts due to the Group.

13. TRADE AND OTHER PAYABLES

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Trade payable | | |
| Amounts payable arising from financial services operation | | |
| – Clients – cash (<i>note(i) and (ii)</i>) | 62,251 | 66,341 |
| – Clearing house (<i>note(i) and (ii)</i>) | 10,088 | 28,055 |
| | <u>72,339</u> | <u>94,396</u> |
| Other payables | 2,258 | 176,992 |
| Accruals | 12,205 | 12,788 |
| | <u>86,802</u> | <u>284,176</u> |
| Total other payables and accruals | <u>86,802</u> | <u>284,176</u> |

Notes:

- (i) The majority of the trade payables balances are repayable on demand except where certain accounts payable to clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.
- (ii) The settlement terms of amounts payable arising from the ordinary course of business of dealing in securities from cash clients and clearing house are two days after trade date.
- (iii) No ageing analysis is disclosed as, in the opinion of the directors, the ageing analysis does not give additional value in view of the nature of these business.

14. COMPARATIVE FIGURES

Certain comparative figures in the consolidated financial statements have been reclassified to conform with the current year's presentation of the Group:

- (i) Reversal of a reclassification of listed equity securities in Hong Kong of HK\$412,551,000 from held-for-trading investments to available-for-sale investments made in the previously reported consolidated statement of financial position as at 31 December 2015.
- (ii) Certain trade receivables and payables were reclassified due to the offsetting enforceable master netting arrangements and similar agreements.
- (iii) Reclassification of certain amounts of administrative expenses to direct operating cost to fairly present the nature of costs incurred.

In the opinion of the directors of the Company, the reclassifications made to the comparative figures have insignificant impact to the Group's consolidated statement of financial position as at 1 January 2015 and consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015. Except those mentioned above, there were no other reclassifications or adjustments made to the comparative figures.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The year of 2016 was a year full of complications. The global financial market experienced a series of black swan events such as Brexit and the United States (“US”) president election, adding more uncertain to the weak economy recovery globally. Hong Kong’s financial market has been further negatively affected by weak performance in the Mainland stock market and lower-than-expected gross domestic product (“GDP”) growth, with stock hovered at a relatively low level.

During the year under review, Jun Yang Financial maintained prudent strategies in managing the Group’s business and risk exposure. The Group supported the development of the financial businesses in 2016, laying a solid foundation for future growth.

The Group recorded a revenue from continuing operations of approximately HK\$70,555,000 (2015: approximately HK\$131,152,000), and a significant net loss attributable to owners of the Company from continuing operations and discontinued operation amounted to approximately HK\$926,717,000 (2015: approximately HK\$191,838,000). The loss was principally attributable to the losses in respect of its investments and such losses are approximately HK\$183 million (realised losses) and approximately HK\$607 million (unrealised losses) respectively as a result of the volatile stock market in Hong Kong during the year ended 31 December 2016 (the “Year”). The said unrealised losses of approximately HK\$607 million are non-cash in nature and relate to losses arising on change in fair value of held-for trading investments of the Group. Regardless of the loss, the Company still has sufficient fund and had cash and cash equivalents of approximately HK\$182,286,000 (31 December 2015: approximately HK\$461,301,000).

BUSINESS REVIEW

High Volatility in the Financial Service Market

The Group remains prudently optimistic about the financial market. China’s economy grew by 6.7 percent in 2016, with slight accelerating to 6.8 percent in the fourth quarter. During the Year, China’s economy and financial market have been smooth and steady in general, but the complexity should never be underestimated. The market worried about the unexpected policies from new president of the US Donald Trump’s government. Plus capital outflows from Asian markets continued given weaker regional currencies against the US dollar.

On 5 December 2016, the Shenzhen-Hong Kong Stock Connect Program was officially launched, which was expected to add new momentum to the booming of the market. As China tightens its grip on capital controls, mainland investors will turn to Hong Kong stocks through cross-border exchange links as other methods of purchasing overseas assets become more difficult. Analysts expected trading volumes to pick up later if the Renminbi (“RMB”) stabilises and concerns ease about China’s economy.

Financial services business

Hong Kong financial market is a relatively mature market that attracts both overseas and mainland investors. The Group has set the strategies to dig the market potential and had been actively placing resources to develop its financial services business. The Group seized opportunities in the market as a securities broker to achieve stable and encouraging segment result.

During the Year, the financial services segment generated a revenue of approximately HK\$60,137,000, and net profit decreased by 29% year-on-year to approximately HK\$31,443,000. Jun Yang Securities Company Limited (“Jun Yang Securities”) successfully completed 27 fund-raising transactions and raised a total amount of approximately HK\$1,351,053,000. As fund raising was not active as the Year before, income from placing and underwriting activities registered a decrease of 76% year-on-year to approximately HK\$20,679,000. Jun Yang Securities has already successfully obtained the Securities and Futures Commission licences of asset management (Type 9) and advising on corporate finance (Type 6), enabling the Group to advise listed companies on issues of acquisitions and mergers, and to engage in asset management business.

Ever since the establishment of the financial business segment, the Group has built a solid position in Hong Kong’s financial market and has determined to focus on the financial services business. Leveraging on the powerful network and professional management, the segment has been developing on the right track and generated revenue in a very short time, which consolidated the Group’s leading position in the industry. The Group will focus on the financial services business by actively seeking to expand its products mix from securities and bonds to a more comprehensive portfolio; and by building up a long-term client base and a solid network in the market.

Money lending business

The Group has begun its money lending business since 2012 through the acquisition of E Finance Limited. During the review year, money lending business segment has achieved an interest income of approximately HK\$10,418,000 (2015: approximately HK\$26,571,000). In view of the weakening financial performance of this business segment, the Group scaled down the money lending business to shift more resources to the margin financing business, where stock collaterals are more common and reliable.

In the Year under review, the Group also disposed 31.2% indirect interest with loans of Trillion Epoch Limited (principally engaged in the money lending business in the People’s Republic of China) to an independent third party at a cash consideration of HK\$51 million, enabling the Group to allocate more resources to financial service businesses.

Asset investment business

The Group's asset investment business includes investment in held-for-trading investments, mainly trading in listed securities, and investments in available-for-sale investment, mainly invests in private funds in various industries. The unlisted investments funds are held for identified long term purposes.

In respect of the asset investment business, the Company has recorded a loss attributable to owners of the Company for 2016 principally attributable to the loss arising on change in fair value of held-for-trading investments amounted to HK\$790,225,000 as a result of the volatile stock market in Hong Kong. The loss had no significant effect on the Group's business operations. The Group has sufficient funds in hand and will ensure its core business segments are developing well on track.

As at 31 December 2016, the total held-for-trading investments valued at approximately HK\$1,916,926,000, of which approximately HK\$1,892,070,000 in equity securities listed in Hong Kong, approximately HK\$14,111,000 in equity securities listed outside of Hong Kong and approximately HK\$10,745,000 in investment funds.

In addition to that, its unlisted available-for-sale investments have incurred losses and the impairment loss of available-for-sale investments is approximately HK\$84,733,000 in the year 2016.

As at 31 December 2016, the total available-for-sale investments valued at approximately HK\$358,499,000, including approximately HK\$81,727,000 of equity securities listed in Hong Kong, and investment funds at cost less impairment of approximately HK\$276,772,000.

The significant loss as compared to the loss in 2015 was principally attributable to the unrealized loss in respect of its investments as a result of the volatile stock market in Hong Kong. The Company has raised sufficient funds for such losses and make sure the business of financial services is not affected. More detailed investment portfolio information will be available in the annual report of the Company and its subsidiaries for the year ended 31 December 2016. Nevertheless, the management believes a more cautious investment strategy and sounder research are necessary in future asset investment business.

Sustainable development in solar power generation business

Air pollution has been a focus of national attention in China, which leads to the boom of renewable energy. During the Year, China's National Energy Administration ("NEA") and National Development and Reform Commission ("NDRC") have released several announcements to encourage the development of solar power projects that use the self-consumption mode. The target for 2020 solar photovoltaic ("PV") has been raised from 100 gigawatts ("GW") to 150 GW, including 70 GW for distributed PV according to the NEA. Solar power industry is still in the spot light.

During 2016, the Group booked a revenue of approximately HK\$53.6 million from the renewable energy business. The Group's six PV projects (i.e. Large-scale grid-connected PV power station project in Golmud, Qinghai; and 20-megawatt and 1.5-megawatt rooftop power station projects in Xuchang and Zhengzhou, Henan Province, 10-megawatt rooftop power station project in Rongcheng, Shandong Province), 5.8-megawatt rooftop power station project in Longkou, Shandong Province, 38.8-megawatt rooftop power station project in Jining, Shandong Province have generated about 62 million kilowatt-hours electricity in total, representing an increase of 55% year-on-year. Revenue booked from the segment also increased 33% to HK\$53.6 million. New project Shandong Jining Phase II 28.8-megawatt was completed and connected to the grid and started power generation in 2016. It is expected that this new project's revenue contribution to the Group will be more significant in the coming year.

In August 2016, GET Holdings Limited ("GET Holdings") (stock code: 8100) agreed to acquire, approximately 30% of the issued share capital of Jun Yang Solar Power Investment Holdings Limited ("Jun Yang Solar Power"), at the consideration of HK\$34,500,000. In October 2016, IR Resources Limited (stock code: 8186) agreed to acquire 17.5% equity in Jun Yang Solar Power with HK\$20.5 million. And in November 2016, the Group agreed to sell additional 5% equity in Jun Yang Solar Power to GET Holdings at a cost of HK\$5.79 million. The disposals had not just realized capital resources for the future development of financial services business, but also introduced new shareholders for solar business, which is in line with the Group's long-term strategies.

Risk Management

The Company adopts stringent risk management policies and monitoring systems to contain exposure associated with credit, liquidity, market and IT systems in all its major operations. In addition, compliance and regulatory risk is continually monitored. It is frequently revisited and revised the risk control measures of business lines to build up a strong defense against risks.

The Company has properly put in place credit management policies which cover the examination of the approval of clients' trading and credit limits, regular reviews of facilities granted, monitoring of credit exposures and the follow up of credit risks associated with overdue debts. The policies are reviewed and updated regularly.

The management closely monitors the market condition so that precautionary measures will be taken to mitigate any risk that the Company may encounter.

Deal with the risks and uncertainty

The management believes the weak global economic growth and anti-globalization sentiments will present the Group with business risks and uncertainty, though we are prudently optimistic about the future of financial services business in Hong Kong as RMB further globalization and the stock connect program enhanced and widened. These risks will make it hard for the Company to solicit new customers and grow business and it is also much harder to profit from invest in stock market when the market is continuing move downwards.

To couple with the uncertainty and difficulties, the Group has been put more resources in margin financing business and is to extend our business offering to our customers by strengthening our service offering with assets management and corporate finance.

The Group has suffered significantly in the stock market turmoil in the Year under review both in listed shares and unlisted investments in Hong Kong. The management believes the Asian stock market turmoil created a great uncertainty for the Group's assets investment businesses. To deal with these uncertainties, the Group should increase its investment portfolio by increasing long term investment further to reduce short investment risks, diversifying its investment to include the US stocks and also invest in non-financial products such as quality properties to generate more stable continuing income from our investment.

The Group's mission is to become a premier financial services provider in Hong Kong with comprehensive range of high standard service offerings.

BUSINESS OUTLOOK

It is undeniable that the global economic growth remained soft in 2016 for numerous reasons and the world economy is expected to face a very challenging year of 2017, risks including uncertain policy directions from the new US administration, further normalization of US interest rates, Brexit and its impact on European Union, and the most important, the expected significant deceleration of the China economy. All these are challenges and pose potential negative impacts to the Group's financial business.

However, China government is keeping on backing up the financial industry in Hong Kong and Mainland, with its new monetary policy issued on December 2016, China is aiming to control the growth of asset bubbles and financial risks in 2017, while ensuring the economy is on a path of stable and healthy growth. Monetary policy will be kept prudent and neutral, adapt to new changes in money supply and strive to smooth monetary policy transmission channels and improve mechanisms to help maintain liquidity basically stable.

It is estimated by economists that China's economy is still on track to grow by 6.5% in 2016 and 6.2% in 2017 based on the official GDP measure. International Monetary Fund data also shows that China has been the source of 35% of global growth over the past five years, and is forecasted to form 30% of growth until 2020. In addition, in Hong Kong market, following the roll-out of Shanghai-Hong Kong Stock Connect Program, Shenzhen-Hong Kong Stock Connect Program was also successfully launched, cross border investment activities were inspired for the second time. The new share trading link will strengthen Hong Kong's role as a "super-connector" between China and the world, again strengthen its position as a financial hub in the Asia Pacific region. Backed by the China market and leveraged on a deepened and tightened financial collaboration with the mainland, it is anticipated that Hong Kong financial market will still be prosperous in a long run. This will bring opportunities to the Group's financial business and the Group will stick to its strategies to allocate more resources to develop this segment in the coming year.

Looking forward, a moderate economy recovery is expected, and world growth will pick up from last year's lackluster pace. The Group is prudently optimistic about the financial market in 2017. Leveraging on its experience team and foundations built in the financial services industry, the Group will strive to become one of the best comprehensive wealth management service providers in Hong Kong that could fulfill various financial needs and expectations of individuals and corporate clients. The Group aims to further develop its financial services business to complete more cases in mergers and acquisitions, asset management, margin and IPO financing, etc, and to reinforce its sales forces in viewing of the industry potential.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group held cash and cash equivalents of approximately HK\$182,286,000 (2015: approximately HK\$461,301,000). Net current assets amounted to approximately HK\$2,473,499,000 (2015: approximately HK\$2,882,751,000). Current ratio (defined as total current assets divided by total current liabilities) was 9.89 times (2015: 4.90 times).

The gearing ratio of the Group (defined as total liabilities to total assets) was approximately 12% (2015: 21%).

As at 31 December 2016, the Group had outstanding bank and other borrowings of approximately HK\$280,800,000 (2015: approximately HK\$437,774,000). As the Group's bank balances and borrowings were denominated in Hong Kong dollars, United States dollars and Renminbi, risk in exchange rate fluctuation would not be material. The bank and other borrowings bore interest at prevailing market rates and repayable in accordance with the relevant loan agreements.

CAPITAL STRUCTURE

As at 31 December 2016, the Group had shareholders' equity of approximately HK\$29,117,000 (2015: approximately HK\$195,904,000).

On 31 March 2016, the Company allotted and issued 755,900,000 new pre-consolidated shares of the Company, at the price of HK\$0.0374 per share, pursuant to the exercise of share options under the share option scheme adopted by the Company on 4 June 2013.

On 15 February 2016, the Board proposed to implement the capital reorganisation (the "Capital Reorganisation") which involve (i) the share consolidation of 10 pre-consolidated shares into 1 share of HK\$0.10; (ii) the reduction of the share capital of the Company whereby the par value of each of the then issued consolidated shares of HK\$0.10 each was reduced from HK\$0.10 to HK\$0.01 each by cancelling the paid-up capital of the Company to the extent of HK\$0.09 on each of the then issued consolidated share; (iii) the credits arising in the books of the Company from (a) the cancellation of any fraction in the issued share capital of the Company which may arise from the share consolidation; and (b) the capital reduction, which in aggregate, amount to HK\$183,116,946 would be credited to the contributed surplus account of the Company within the meaning of the Companies Act; and (iv) immediately following the capital reduction, each of the then authorised but unissued consolidated shares of par value of HK\$0.10 each were sub-divided into 10 new shares of par value of HK\$0.01 each. The Capital Reorganisation was duly passed as a special resolution by the shareholders of the Company at the special general meeting of the Company held on 5 April 2016. The Capital Reorganisation had become effective on 6 April 2016. Further details of the Capital Reorganisation are set out in the circular of the Company dated 9 March 2016 and the announcements of the Company dated 15 February 2016 and 5 April 2016.

On 4 May 2016, the Company allotted and issued 391,800,000 placing shares of HK\$0.01 each in the share capital of the Company, at the placing price of HK\$0.238 per placing share, pursuant to the placing agreement dated 12 April 2016 and the general mandate granted to the Directors at the special general meeting held on 29 January 2016, details of which are disclosed in the announcement of the Company dated 12 April 2016.

On 5 October 2016, the Company allotted and issue of 485,280,000 placing shares of HK\$0.01 each in the share capital of the Company, at the placing price of HK\$0.18 per placing share, pursuant to the placing agreement dated 8 September 2016 and the general mandate granted to the Directors at the annual general meeting held on 3 June 2016, details of which are disclosed in the announcement of the Company dated 8 September 2016.

CHARGES ON GROUP ASSETS

As at 31 December 2016, assets of the Group were not charged to any parties.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group employed approximately 37 employees. The Group continues to maintain and upgrade the capabilities of its workforce by providing them with adequate and regular training. The Group remunerates its employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonus and share options may be granted to eligible staff by reference to the Group's performance as well as individual's performance.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

CORPORATE GOVERNANCE

The Company endeavours in maintaining good corporate governance for the enhancement of shareholders' value. The Company has complied with all the applicable code provisions in the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2016.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, the Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2016.

AUDIT COMMITTEE

The audit committee currently comprises three independent non-executive Directors, namely Mr. Chan Chi Yuen (the chairman of the audit committee), Mr. Chik Chi Man and Ms. Yiu Wai Yee, Catherine. The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the audited consolidated financial statements of the Group for the year ended 31 December 2016.

On behalf of the Board
Jun Yang Financial Holdings Limited
Kwok Sze Yiu, Gordon
Chairman

Hong Kong, 30 March 2017

As at the date of this announcement, the executive Directors are Mr. Kwok Sze Yiu, Gordon, Dr. Tang Sing Hing, Kenny and Mr. Ng Tang; and the independent non-executive Directors are Mr. Chan Chi Yuen, Mr. Chik Chi Man and Ms. Yiu Wai Yee, Catherine.