



## CHINA TRENDS HOLDINGS LIMITED

中國趨勢控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8171)

(Warrant Code: 8015)

### 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 of China Trends Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to China Trends Holdings Limited. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

## HIGHLIGHTS

- Revenue for the year ended 31 December 2016 amounted to approximately HK\$90,047,000.
- Net loss attributable to owners was HK\$14,111,000 with basic loss per share of HK\$0.03 cents. Increase in loss for the year because of provision for impairment on intangible asset and other receivables of approximately HK\$5,219,000 and increased legal and other operating expenses by approximately HK\$5,062,000.

## RESULTS

The board (the “Board”) of directors (the “Directors”) of China Trends Holdings Limited (the “Company”) are pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2016, together the audited comparative figures for the corresponding year in 2015 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2016*

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
REVENUE	4	<b>90,047</b>	116,496
Cost of sales		<b>(86,559)</b>	(112,961)
Gross profit		<b>3,488</b>	3,535
Other income and gains	4	<b>1,324</b>	208
Administrative and other operating expenses		<b>(13,698)</b>	(8,636)
Loss for operations		<b>(8,886)</b>	(4,893)
Impairment on intangible asset		<b>(2,219)</b>	–
Impairment on other receivables		<b>(3,000)</b>	–
LOSS BEFORE TAX	5	<b>(14,105)</b>	(4,893)
Income tax expenses	6	<b>–</b>	–
LOSS FOR THE YEAR		<b>(14,105)</b>	(4,893)
OTHER COMPREHENSIVE LOSS			
Item that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		<b>(3,037)</b>	(3,364)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<b>(17,142)</b>	(8,257)

	<i>Note</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
<b>LOSS FOR THE YEAR ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>(14,111)</b>	(4,874)
Non-controlling interests		<b>6</b>	(19)
		<u><b>(14,105)</b></u>	<u>(4,893)</u>
<b>TOTAL COMPREHENSIVE LOSS</b>			
<b>FOR THE YEAR ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>(17,117)</b>	(8,205)
Non-controlling interests		<b>(25)</b>	(52)
		<u><b>(17,142)</b></u>	<u>(8,257)</u>
			(Restated)
<b>LOSS PER SHARE</b>			
Basic ( <i>HK cents per share</i> )	7	<u><b>(0.03)</b></u>	<u>(0.04)</u>
Diluted ( <i>HK cents per share</i> )		<u><b>N/A</b></u>	<u>N/A</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>551</b>	805
Intangible assets		<b>22,781</b>	25,000
Available-for-sale investment		<b>22,800</b>	22,800
		<hr/>	<hr/>
Total non-current assets		<b>46,132</b>	48,605
<b>CURRENT ASSETS</b>			
Trade receivables	8	<b>46,389</b>	64,989
Prepayments, deposits and other receivables		<b>3,491</b>	5,867
Cash and bank balances	9	<b>32,591</b>	5,471
		<hr/>	<hr/>
Total current assets		<b>82,471</b>	76,327
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		<b>337</b>	3,907
		<hr/>	<hr/>
Total current liabilities		<b>337</b>	3,907
Net current assets		<b>82,134</b>	72,420
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>128,266</b>	121,025
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>128,266</b>	121,025
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital		<b>427,101</b>	203,998
Equity component of convertible bonds	10	–	–
Other reserves		<b>(300,212)</b>	(84,375)
		<hr/>	<hr/>
Non-controlling interests		<b>126,889</b>	119,623
		<b>1,377</b>	1,402
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>128,266</b>	121,025
		<hr/> <hr/>	<hr/> <hr/>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
*For the year ended 31 December 2016*

	Attributable to owners of the Company										
	Issued capital	Share premium account	Share option reserve	Foreign currency translation reserve	Equity component of convertible bonds	Special reserve	Capital reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015	66,350	235,563	12,456	3,968	391,534	11,157	(1,638)	(596,562)	122,828	1,454	124,282
Total comprehensive loss for the year	-	-	-	(3,331)	-	-	-	(4,874)	(8,205)	(52)	(8,257)
Exercise of share options	1,000	5,934	(1,934)	-	-	-	-	-	5,000	-	5,000
Conversion of convertible bonds into shares	136,648	254,886	-	-	(391,534)	-	-	-	-	-	-
At 31 December 2015 and 1 January 2016	203,998	496,383	10,522	637	-	11,157	(1,638)	(601,436)	119,623	1,402	121,025
Total comprehensive loss for the year	-	-	-	(3,006)	-	-	-	(14,111)	(17,117)	(25)	(17,142)
Issue of bonus share	203,998	(203,998)	-	-	-	-	-	-	-	-	-
Exercise of share options	400	987	(387)	-	-	-	-	-	1,000	-	1,000
Issue of shares upon exercise of bonus warrants	18,705	4,678	-	-	-	-	-	-	23,383	-	23,383
At 31 December 2016	<u>427,101</u>	<u>298,050</u>	<u>10,135</u>	<u>(2,369)</u>	<u>-</u>	<u>11,157</u>	<u>(1,638)</u>	<u>(615,547)</u>	<u>126,889</u>	<u>1,377</u>	<u>128,266</u>

Notes:

## **1. CORPORATE INFORMATION**

China Trends Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is situated at 26/F., No. 9 Des Voeux Road West, Sheung Wan, Hong Kong.

The principal activity of the Company is investment holding. The Group is principally engaged in (i) trading of electronic technology and related products, and (ii) the low-carbon products applications, mainly develops business of low-carbon digital products solutions and applications and provides media and e-commerce platforms and media advertising services.

The shares of the Company have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited since 31 July 2002.

## **2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

## **3. OPERATING SEGMENT INFORMATION**

The Group’s revenue and result for the year ended 31 December 2016 were mainly derived from its operating segment of trading of electronic technology and related products. For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segment as follows:

- (a) the trading of electronic technology and related products; and
- (b) the media operating segment is involved in provision of media and e-commerce platforms and media advertising services.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group’s loss before tax except that interest income, impairment losses on intangible assets, and exchange gains as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable and other unallocated head office and corporate liabilities, as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	For the year ended 31 December					
	Trading of electronic technology and related products		Media business (Note)		Consolidated total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>Segment revenue:</b>						
Sales to external customers	90,047	116,496	-	-	90,047	116,496
	<u>90,047</u>	<u>116,496</u>	<u>-</u>	<u>-</u>	<u>90,047</u>	<u>116,496</u>
<b>Segment results</b>	735	(2,073)	-	-	735	(2,073)
Reconciliation:						
Other income and gains					283	100
Unallocated expenses					(15,123)	(2,920)
Loss before tax					(14,105)	(4,893)
Income tax expenses					-	-
Loss for the year					<u>(14,105)</u>	<u>(4,893)</u>
<b>Other segment information:</b>						
Capital expenditure	59	2	-	-	59	2
Impairment loss on intangible asset	-	-	2,219	-	2,219	-
Impairment loss on other receivables	-	-	3,000	-	3,000	-
Depreciation	409	226	10	28	419	254

	As at 31 December					
	Trading of electronic technology and related products		Media business (Note)		Consolidated total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Segment assets	65,394	72,223	22,781	25,000	88,175	97,223
Unallocated assets					40,428	27,709
Total assets					<u>128,603</u>	<u>124,932</u>
Segment liabilities	195	2,625	-	-	195	2,625
Unallocated liabilities					142	1,282
Total liabilities					<u>337</u>	<u>3,907</u>

*Note:* The mode of operation of the Group's media business through the provision of Copyright of a film library held by the Group and receives royalty income. The Group entered into a cooperation framework agreement ("Cooperation Agreement") with Europe and America Joint Students Pioneering Park Limited which was not yet implemented as the counter party suggested to change the terms of the Cooperation Agreement while the Group did not accept.

On 14 November 2016, the board announced that the Company and Yue Chen Xing Holdings Limited entered into a cooperative framework agreement in relation to the Game Channel of Wealth Storm Platform. The announcement dated 14 November 2016 regarding the plan is to use the copyright of a film library held by the Group to generate future profits.

For details, please refer to Company's announcement dated 14 November 2016.

### Geographical information

#### (a) Revenue from external customers

	For the year ended 31 December	
	2016 HK\$'000	2015 HK\$'000
Hong Kong	22,890	68,848
Mainland China (excluding Hong Kong)	67,157	47,648
	<u>90,047</u>	<u>116,496</u>

The revenue information is based on the location of the customers.

#### (b) Non-current assets

	As at 31 December	
	2016 HK\$'000	2015 HK\$'000
Hong Kong	–	10
Mainland China (excluding Hong Kong)	23,332	25,795
Overseas	22,800	22,800
	<u>46,132</u>	<u>48,605</u>

### Revenue from major customers

	For the year ended 31 December	
	2016 HK'000	2015 HK'000
<i>Trading of electronic technology and related products segment</i>		
Customer A	32,309	68,848
Customer B	22,890	36,456
Customer C	21,477	11,192
Customer D	13,371	–
	<u>90,047</u>	<u>116,496</u>



#### 4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue		
Sales of goods	<u><b>90,047</b></u>	<u>116,496</u>
Other income and gains		
Bank interest income	<b>283</b>	101
Others	<u><b>1,041</b></u>	<u>107</u>
	<u><b>1,324</b></u>	<u>208</u>

#### 5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>				
Cost of sales	<b>86,559</b>	112,961				
Auditors' remuneration						
— Annual audit	<table border="1"><tr><td style="text-align: right;"><b>404</b></td><td style="text-align: right;">321</td></tr></table>	<b>404</b>	321	<table border="1"><tr><td style="text-align: right;">321</td><td style="text-align: right;">321</td></tr></table>	321	321
<b>404</b>	321					
321	321					
— Other services	<table border="1"><tr><td style="text-align: right;"><b>23</b></td><td style="text-align: right;">15</td></tr></table>	<b>23</b>	15	<table border="1"><tr><td style="text-align: right;">15</td><td style="text-align: right;">15</td></tr></table>	15	15
<b>23</b>	15					
15	15					
Total auditors' remuneration	<u><b>427</b></u>	<u>336</u>				
Employee benefits expenses (including directors' remuneration):						
— Wages, salaries and allowances	<table border="1"><tr><td style="text-align: right;"><b>1,498</b></td><td style="text-align: right;">1,664</td></tr></table>	<b>1,498</b>	1,664	<table border="1"><tr><td style="text-align: right;">1,664</td><td style="text-align: right;">1,664</td></tr></table>	1,664	1,664
<b>1,498</b>	1,664					
1,664	1,664					
— Other benefits in kind	<table border="1"><tr><td style="text-align: right;"><b>109</b></td><td style="text-align: right;">37</td></tr></table>	<b>109</b>	37	<table border="1"><tr><td style="text-align: right;">37</td><td style="text-align: right;">37</td></tr></table>	37	37
<b>109</b>	37					
37	37					
— Share-based payments	<table border="1"><tr><td style="text-align: right;">—</td><td style="text-align: right;">—</td></tr></table>	—	—	<table border="1"><tr><td style="text-align: right;">—</td><td style="text-align: right;">—</td></tr></table>	—	—
—	—					
—	—					
— Pension scheme contributions	<table border="1"><tr><td style="text-align: right;"><b>49</b></td><td style="text-align: right;">40</td></tr></table>	<b>49</b>	40	<table border="1"><tr><td style="text-align: right;">40</td><td style="text-align: right;">40</td></tr></table>	40	40
<b>49</b>	40					
40	40					
Total employee benefits expenses	<u><b>1,656</b></u>	<u>1,741</u>				
Depreciation	<b>419</b>	254				
Impairment on other receivables	<b>3,000</b>	—				
Impairment on intangible asset	<b>2,219</b>	—				
Minimum lease payments under operating leases, land and buildings	<b>1,570</b>	1,924				
Net exchange losses	<u><b>96</b></u>	<u>148</u>				

## 6. INCOME TAX EXPENSES

No provision for taxation has been made since the Group has tax loss during the years ended 31 December 2016 and 2015. Tax arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25% for both years.

The reconciliation between the income tax for the year and the loss before tax multiplied by the Hong Kong profits tax rate is as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss before tax:	<u>(14,105)</u>	<u>(4,893)</u>
Tax at the statutory tax rate of 16.5% (2015: 16.5%)	(2,327)	(807)
Effect of different tax rates of subsidiaries operating in other jurisdictions	50	(163)
Expenses not deductible for tax	863	6
Tax effect of taxes losses not recognised	<u>1,414</u>	<u>964</u>
Tax charge at the Group’s effective tax rate	<u>–</u>	<u>–</u>

At 31 December 2016, the Group has unused tax losses of approximately HK\$105,088,000 (2015: HK\$96,227,000) available indefinitely for offset against future profits. No deferred tax asset (2015: HK\$nil) has been recognised in respect of such tax losses, due to the unpredictability of future profit streams.

## 7. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year.

The calculation of basic loss per share is based on:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Losses</b>		
Loss for the year attributable to owners of the Company, used in the basic loss per share calculation	<u>(14,111)</u>	<u>(4,874)</u>
	<b>Number of shares</b>	
	<b>2016</b>	2015
		(Restated)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in basic loss per share calculation	<u>41,853,658,875</u>	<u>13,534,220,594</u>

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the years ended 31 December 2016 and 2015.

## 8. TRADE RECEIVABLES

The Group grants a credit period normally ranging from cash on delivery to 60-180 days to its trade customers.

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	<b>46,389</b>	64,989
Less: impairments	<u>–</u>	<u>–</u>
	<b><u>46,389</u></b>	<b><u>64,989</u></b>

An aged analysis of the trade receivables as at the end of the reporting period before the impairment during the year, based on the invoice date, is as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 30 days	–	46,783
31 to 60 days	<b>2,404</b>	5,676
61 to 90 days	<b>19,740</b>	–
Over 91 days	<b>24,245</b>	12,530
	<b><u>46,389</u></b>	<b><u>64,989</u></b>

An aged analysis of the trade receivables based on the contract term that are not individually nor collectively considered to be impaired is as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Neither past due nor impaired	<b>28,262</b>	64,989
1 to 30 days past due	<b>18,127</b>	–
	<b><u>46,389</u></b>	<b><u>64,989</u></b>

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## 9. CASH AND BANK BALANCES

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Cash and bank balances	<b><u>32,591</u></b>	<b><u>5,471</u></b>

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi (“RMB”) was RMB1,937,000 (2015: RMB346,000) (equivalent to approximately HK\$2,152,000 (2015: HK\$407,000)). The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

## 10. CONVERTIBLE BONDS

On 30 December 2009, the Company issued zero-coupon convertible bonds (the “Convertible Bonds”) with a nominal value of HK\$595,000,000 as part of the consideration of HK\$600,000,000 for acquiring 100% equity interest in Legend Century Investments Limited and its subsidiaries. The Convertible Bonds are interest-free and convertible at the option of the bondholders into ordinary shares of the Company on or before 30 December 2012 at a conversion price of HK\$0.125 (subject to change) each. On 15 June 2010, the conversion price for the Convertible Bonds had been adjusted to HK\$0.037 per share as a result of the completion of the Rights Issues on 8 July 2010.

The details and the movement of the Convertible Bonds during the reporting periods and outstanding as at end of the reporting period were as follows:

	<b>Nominal value</b>	<b>Equity component</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>
Balance at 1 January 2010	595,000	460,768
Less: amount converted into the shares of the Company on 7 July 2010	<u>(89,403)</u>	<u>(69,234)</u>
Balance at 31 December 2011, 31 December 2012, 31 December 2013, 31 December 2014 and 1 January 2015	505,597	391,534
Less: amount converted into the shares of the Company during the year ended 31 December 2015	<u>(505,597)</u>	<u>(391,534)</u>
Balance at 31 December 2015 and 2016	<u><u>–</u></u>	<u><u>–</u></u>

As at 31 December 2012, the conversion right to convert the outstanding Convertible Bonds have been expired. The Company and the Convertible Bonds holders entered into a conditional Deed of Amendment on 18 April 2013 to (i) extend the maturity date of the outstanding Convertible Bonds for a further terms of 3 years from 30 December 2012 to 30 December 2015, being the revised maturity date; and (ii) clarify that any outstanding Convertible Bonds not converted on the revised maturity date due to conversion restrictions will be cancelled. All other terms of the Convertible Bonds shall remain unchanged and valid.

During the year ended 31 December 2015, the convertible bonds are converted into ordinary shares of the Company.

## 11. CONTINGENT LIABILITIES

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

## 12. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within one year	<b>480</b>	1,635
In the second to fifth years, inclusive	–	480
	<b>480</b>	2,115

## 13. RELATED PARTY TRANSACTIONS

(i) Save as those disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
New Era Group (China) Limited	<i>(a)</i>		
Rental paid		<b>960</b>	960
Rental deposit paid		<b>160</b>	160
New Era Foundation (China) Limited	<i>(b)</i>		
Rental paid		<b>601</b>	638
Rental deposit paid		<b>100</b>	106

*Notes:*

- (a) The Company entered into a tenancy agreement (the “Tenancy Agreement A”) with New Era Group (China) Limited (“New Era”), a company of which Mr. Xiang Xin, a director of the Company, has control. Pursuant to the Tenancy Agreement A, New Era agreed to lease to the Company an office premise for a term of 36 months commencing on 1 July 2008. The Company shall pay a deposit of HK\$160,000 and a monthly rental of HK\$80,000 to New Era. The deposit was included in prepayments, deposits and other receivables in the statement of financial position. On 1 January 2011, the term of Tenancy Agreement A has been extended a 36 months commencing from 1 July 2011. On 1 January 2014, the term of Tenancy Agreement A has been further extended a 36 months commencing from 1 July 2014, agreed by both the Company and New Era.
- (b) On 1 December 2009, a subsidiary of the Company, Boss China entered into a tenancy agreement (the “Tenancy Agreement B”) with New Era Foundation (China) Limited (“New Era China”), a company of which Mr. Xiang Xin, a director of the Company, has control. Pursuant to the Tenancy Agreement B, New Era China agreed to lease to Boss China an office premise for a term of 48 months commencing on 1 January 2010, Boss China shall pay a deposit of RMB90,000 (equivalent to approximately HK\$115,000) and a monthly rental of RMB43,000 to New Era China with no rent free period.

On 31 December 2013, New Era China agreed to lease to Boss China an office premise for a term of 36 months commencing on 1 January 2014, Boss China shall pay a deposit of RMB90,000 (equivalent to approximately HK\$112,000), and a monthly rental of approximately RMB43,000 to New Era China with no rent free period. The deposit was included in prepayments, deposits and other receivables in the consolidated statement of financial position.

The related party transactions were conducted on terms negotiated between the Company and the related companies.

(ii) Compensation of key management personnel of the Company:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	<b>292</b>	427
Equity-settled share option expenses	-	-
Pension scheme contributions	-	-
	<u>292</u>	<u>427</u>

## **EXTRACT OF INDEPENDENT AUDITOR’S REPORT ON THE COMPANY’S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

### **DIVIDEND**

The Directors do not recommend the payment of any dividend for each of the years ended 31 December 2016 and 2015.

### **CHAIRMAN’S STATEMENT**

On behalf of the Board (the “Board”) of directors (the “Directors”) of China Trends Holdings Limited (the “Company”), I am pleased to present to you the audited results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2016.

The Company’s shares were listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and governed by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

### **FINANCIAL REVIEW**

During the year ended 31 December 2016, the Group recorded a revenue of approximately HK\$90,047,000 (2015: HK\$116,496,000), representing a decrease of 22.7%. The Group recorded a decrease as compared to last year in revenue was mainly due to the continuing downward of China economic increase in a difficult world economic environment with complexities and challenges in the year of 2016, as well as the negative impact of the Guotai incident in the period out of expected.

During the year ended 31 December 2016, the Group incurred a loss of approximately HK\$14,105,000 (2015: HK\$4,893,000) in which the loss attributable to the owners of the Company was approximately HK\$14,111,000 (2015: HK\$4,874,000). Loss for the year increased significantly during the year mainly arising from provision for impairment on intangible asset and other receivables of approximately HK\$5,219,000 and increased legal and other operating expenses by approximately HK\$5,062,000 during the year 2016.

### **OPERATIONAL REVIEW**

1. On 8 March 2016, the Company announces that the Company, being one of the creditors of Asia Television Limited (the “ATV”), issued the debt restructuring proposals (the “Debt Restructuring Proposals”) to the provisional liquidator of ATV.

On 12 March 2016, the Company was informed by the provisional liquidator of ATV that after consulting the views of the main creditor of ATV, and considering all other factors, the provisional liquidator would not accept the Debt Restructuring Proposals made by the Company for ATV.

On 28 March 2016, the Company issued a letter to the Provisional Liquidators and further explained the Debt Restructuring Proposals.

2. On 16 March 2016, the Company and Guotai Investment Holdings (Group) Company Limited (“Guotai”) entered into the supplemental agreement in relation to the Priority Investment Agreement, pursuant to which the Company and Guotai agreed to conduct due diligence and construction of overseas ownership structure in respect of the Priority Project of Financial Channel. The said Priority Investment Agreement was agreed between the Company and Guotai on 29 February 2016, in which Guotai has agreed to offer the Company priority to invest in any of Guotai’s media and/or e-commerce businesses on preferential conditions with investment consideration referenced to the net asset value.

On 6 April 2016, the Company learned from Tencent News that, among other things, Guotai is suspected of being involved in the illegal absorbing public savings and illegal fund-raising fraud crime.

On 8 April 2016, Mr. Wang Wei tendered his resignation as non-executive Directors and members of strategic committee with effect from 8 April 2016.

On 8 April 2016, as Guotai Investment is suspected of being involved in the illegal absorbing public savings and illegal fund-raising, the Board, with the support of the independent non-executive Directors, decided to suspend all the duties of Ms. Chen Jiajing and Ms. Jiang Linlin (including duties of non-executive Directors, co-chairman of the Board and members of strategic committee) with immediate effect. The Company decided to terminate the priority investment agreement and supplemental agreement entered into between the Company and Guotai dated 29 February 2016 and 16 March 2016 respectively.

On 12 April 2016, the Board proposed shareholders to vote against the ordinary resolutions in respect of the re-election of Ms. Chen Jiajing and Ms. Jiang Linlin respectively as non-executive Directors as set out in the Notice of AGM and Proxy Form.

On 6 May 2016, the re-election of Ms. Chen Jiajing and Ms. Jiang Linlin as non-executive Director was voted against by the Shareholders on the annual general meeting.

3. On 24 June 2016, the Company and Mr. Xu Wei (“Mr. Xu”) entered into a memorandum of understanding in relation to patents acquisition (“Patents Acquisition MOU”). Pursuant to it, the Company intends to apply the multi-national patents from Mr. Xu to the Company currently developing e-commerce media “Wealth Storm” on content delivery and e-commerce payment, and will issue warrants to Mr. Xu for the acquisition of all his related patents.

On 23 December 2016, the Company and Mr. Xu had not completed the transaction within 6 months as specified in Patents Acquisition MOU which had become invalid.



4. On 30 June 2016, the Company and Shenzhen Youshi Interactive Information Technology Co. (“Youshi Interactive”) entered into a supplemental agreement to the Cooperative Agreement in relation to the “Interactive TV shopping platform”, in which the provisions under the cooperative agreement in relation to assessment on the expected revenue of Youshi Interactive and the proposed issue of Convertible Bond by the Company to Youshi Interactive as consideration for acquiring the expected revenue should be annulled with effect from 1 July 2016, and the provision under the Cooperative Agreement which requires Boss China to pay Youshi Interactive a monthly service fee of RMB100,000 each month should be annulled with effect from 1 July 2016.

As at 30 June 2016, the number of pre-installed smart TV with “Interactive TV Shopping Platform” was approximately 36,800,000.

5. Since 30 June 2016, for restructuring ATV, Boss China has undertaken a major strategic upgrade for its interactive TV business model through an in-depth integration of its shopping platform with media content and advertising business, thus becoming a new e-commerce media focusing on media business.
6. On 8 July 2016, following Mr. Sun Kuan Chi’s resignation as member of strategic committee of the Company, there were currently no Directors in the strategic committee. As such, the Board announces that the strategic committee has been abolished with effect from 8 July 2016.
7. On 29 September 2016, the Company received an e-mail (“E-mail”) from a shareholder, Mr./Mrs. Guan Xiaojia (“Mr./Ms. Guan”), claiming that he formed a purported consortium with other shareholders of the Company (whom are parties acting in concert) and that the consortium currently hold 11.78% of the issued share capital of the Company.

On 28 October 2016, as a result of the failure of Mr./Ms. Guan to respond to the Company’s Notices as required under the SFO, the Company is unable to further assist Mr./Ms. Guan and/or the Members of the current purported consortium in the matters referred to in the E-mail after taking necessary and careful investigation by its appointed legal advisor.

8. On 30 September 2016, as an integral part of its marketing plans for the Wealth Storm Platform, Boss Dream Culture Communication Limited (“Boss Culture”) announced that each of the current employees and ultimate shareholders of all strategic partners who have a contractual relationship with Boss Culture, which include but not limited to China Innovation and China Trends, will receive monthly “Wealth Storm” redemption coupons in accordance with his/her salary and the nominal value of his/her/its shareholding respectively (the “Welfare Plan”).

On 27 January 2017, the development of the Wealth Storm Platform is almost completed and has been in on-line pilot operation. Due to no ideal solutions for the payment and data privacy issues at this moment, the schedule for the implementation of Welfare Plan shall be delayed for some time until further notice.

9. On 14 November 2016, the Company and Yue Chen Xing Holdings Limited entered into a cooperative framework agreement in relation to the Game Channel of Wealth Storm Platform.
10. On 25 November 2016, the Company and Mr. Cheung Kin Wa, entered into an agreement in relation to the sale and purchase of all issued shares of Skynet Satellite Data Limited.
11. On 30 December 2016, the Company entered into the conditional Placing Agreement with VC Brokerage Limited (the “Placing Agent”), pursuant to which the Placing Agent has agreed to act as placing agent of the Company, on a best effort basis, for the purpose of arranging Places for the Convertible Notes, which is the three-year 1% coupon unlisted convertible notes in principal amount of up to HK\$1,560,000,000 to be issued by the Company, subject to the terms and conditions provided in the Placing Agreement. The net proceeds of the Placing of approximately HK\$1,513,200,000 will be applied towards payment of the consideration for the Potential Acquisition.

## **OUTLOOK AND PROSPECT**

The Group will continue to expand the media business, develop media and e-commerce platforms and media advertising business in mainland China. The Company’s Directors and management will dedicate their best effort to lead the Group to strive for the best interests for its shareholders.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Liquidity, Financial Resources and Gearing**

The Group continued to finance its operation and capital expenditure through internally generated fund, and support certain product solutions development and business expansion. The Group maintained a healthy liquidity position with a current ratio of approximately 245 (2015: 20) and total cash and bank balances amounted to approximately HK\$32,591,000 (2015: HK\$5,471,000) with no pledged deposits placed in banks for securing any borrowings or banking facilities.

### **Capital Structure and Fluctuation in Exchange**

The capital of the Company comprised ordinary shares only as at 31 December 2016. During the year under review, sales and purchases of the Group were mainly transacted in Renminbi, United States dollars and Hong Kong dollars. As at 31 December 2016, a substantial portion of the assets and liabilities of the Group were current in nature, and the amounts were principally denominated in Renminbi, United States dollars and Hong Kong dollars, foreign exchange risk was considered to be minimal.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the year, the Company had not purchased, sold or redeemed any of its listed securities.

## **Employees**

As at 31 December 2016, there were a total of 12 (2015: 18) full-time staff employed by the Group. The staff costs including Directors' remuneration for the year were approximately HK\$1,656,000 (2015: HK\$1,741,000) and no share-based payments expenses were incurred as a result of grant of share options during the year (2015: nil). The total amount comprised salaries, wages and allowance, medical and insurance coverage, pension scheme contributions, discretionary bonus and share-based payments.

## **Charge, Contingent Liabilities and Commitments**

As at 31 December 2016, the Group had commitments under operating lease amounting to approximately HK\$480,000 (2015: HK\$2,115,000) and there were no charges on any assets of the Group.

The Group did not have any contingent liabilities at the end of the reporting year. In addition to the operating lease commitments, the Group and the Company had no other commitments to the financial statements.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

During the year under review, the Company had complied with the requirements of the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 15 of the GEM Listing Rules, except that:

1. Mr. Xiang Xin was the Chairman of the Board and Chief Executive Officer of the Company during the year 2016. Such practice deviates from code provision A.2.1 of the CG Code which requires that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. After evaluation of the current situation of the Company and taking into account of the experience and past performance of Mr. Xiang, the Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Mr. Xiang to hold both positions as the Chairman and the Chief Executive Officer of the Company as it helps to maintain the continuity of the policies and the stability of the operations of the Company.
2. The Company has no fixed terms of appointment for non-executive Directors. The independent non-executive Directors are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the relevant article under the Articles of Association of the Company. Such practice deviates from the provision A.4.1 of the CG Code which requires that non-executive Directors be appointed for a specific term. The Board has discussed and concluded the current practice of appointing independent non-executive Directors without specific terms but otherwise subject to rotation and re-election by shareholders is fair and reasonable, and does not intend to change the current practice at the moment.

## **AUDITORS**

The financial statements for the years ended 31 December 2015 and 2016 were audited by ZHONGHUI ANDA CPA Limited.

A resolution for the re-appointment of ZHONGHUI ANDA CPA Limited as auditors of the Company until the conclusion of the next annual general meeting is to be proposed at the forthcoming annual general meeting of the Company.

## **AUDIT COMMITTEE**

The Company established an audit committee (the “Audit Committee”) on 16 July 2002 in accordance with the requirements of the GEM Listing Rules. The Audit Committee currently comprises all three independent non-executive Directors of the Company, Mr. Wong Chung Kin Quentin as the chairman, Ms. An Jing and Mr. Chen Yicheng as the members.

The Audit Committee examined the accounting principles and practices adopted by the Company and its subsidiaries and discussed with the management its internal controls and accounts. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2016.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors. All Directors confirmed that they complied with the required standards as set out in the Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year.

## **PUBLICATION OF ANNUAL REPORT**

The annual report of the Company will be published on the Stock Exchange’s and the Company’s websites in due course.

By order of the Board  
**China Trends Holdings Limited**  
**Xiang Xin**  
*Chairman and Chief Executive Officer*

Hong Kong, 14 March 2017

*As at the date of this announcement, the executive Directors are Mr. Xiang Xin (Chairman) and Mr. Chan Cheong Yee; the independent non-executive Directors are Ms. An Jing, Mr. Chen Yicheng and Mr. Wong Chung Kin, Quentin. Ms. Kung Ching is an alternate director to Mr. Xiang Xin.*

*This announcement, for which the directors of the Company 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 of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on GEM website on the “Latest Company Announcements” page for at least 7 days from the date of its posting and the Company website at [www.8171.com.hk](http://www.8171.com.hk).*