



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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

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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 2018 amounted to approximately HK\$87,040,000.
- Loss attributable to owners was HK\$5,406,000 with basic loss per share of HK\$0.01 cents.

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 2018, together the audited comparative figures for the corresponding year in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
REVENUE	4	87,040	80,935
Cost of sales		(83,683)	(77,650)
Gross profit		3,357	3,285
Other income	4	4,836	278
Share of losses of an associate		(1,612)	–
Administrative and other operating expenses		(10,064)	(11,830)
Loss from operations		(3,483)	(8,267)
Impairment loss on other receivables		(1,870)	–
LOSS BEFORE TAX	5	(5,353)	(8,267)
Income tax expenses	6	–	–
LOSS FOR THE YEAR		(5,353)	(8,267)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Item that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(2,722)	4,109
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(8,075)	(4,158)

	2018	2017
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LOSS FOR THE YEAR ATTRIBUTABLE TO:		
Owners of the Company	(5,406)	(8,273)
Non-controlling interests	53	6
	(5,353)	(8,267)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:		
Owners of the Company	(8,128)	(4,201)
Non-controlling interests	53	43
	(8,075)	(4,158)
LOSS PER SHARE		
	7	
Basic (HK cents per share)	(0.01)	(0.02)
Diluted (HK cents per share)	N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	<i>Notes</i>	2018 HK\$'000	2017 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		262	424
Intangible assets		15,000	22,781
Investment in an associate		23,431	–
Equity investments at fair value through other comprehensive income		22,800	22,800
		<hr/>	<hr/>
Total non-current assets		61,493	46,005
CURRENT ASSETS			
Trade receivables	8	35,009	69,911
Prepayments, deposits and other receivables		1,568	3,347
Cash and bank balances	9	21,616	24,182
		<hr/>	<hr/>
Total current assets		58,193	97,440
CURRENT LIABILITIES			
Trade payable		–	18,243
Other payables and accruals		2,250	896
Tax payable		285	123
		<hr/>	<hr/>
Total current liabilities		2,535	19,262
Net current assets		<hr/>	<hr/>
		55,658	78,178
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		117,151	124,183
NET ASSETS		<hr/>	<hr/>
		117,151	124,183
EQUITY			
Equity attributable to owners of the Company			
Issued capital		427,161	427,161
Other reserves		(311,483)	(304,398)
		<hr/>	<hr/>
		115,678	122,763
Non-controlling interests		1,473	1,420
		<hr/>	<hr/>
TOTAL EQUITY		<hr/>	<hr/>
		117,151	124,183

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company									
	Issued capital	Share premium account	Share option reserve	Foreign currency translation reserve	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
At 1 January 2017	427,101	298,050	10,135	(2,365)	11,157	(1,638)	(615,547)	126,893	1,377	128,270
Total comprehensive income/ (loss) for the year	-	-	-	4,072	-	-	(8,273)	(4,201)	43	(4,158)
Exercise of bonus warrants	60	15	-	-	-	-	-	75	-	75
Lapsed share options	-	-	(726)	-	-	-	726	-	-	-
At 31 December 2017 and 1 January 2018	427,161	298,065	9,409	1,707	11,157	(1,638)	(623,094)	122,767	1,420	124,183
Total comprehensive income/ (loss) for the year	-	-	-	(2,722)	-	-	(5,406)	(8,128)	53	(8,075)
Share-based payments	-	-	1,039	-	-	-	-	1,039	-	1,039
At 31 December 2018	427,161	298,065	10,448	(1,015)	11,157	(1,638)	(628,500)	115,678	1,473	117,151

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) media and e-commerce platforms and media advertising services.

The shares of the Company have been listed on the GEM 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 2018. 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 except as stated below.

A. HKFRS 9 (2014) "Financial Instruments"

Available-for-sale investments are now classified as equity investments at fair value through other comprehensive income.

HKFRS 9 (2014) has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	31 December 2017 HK\$'000	1 January 2017 HK\$'000
Decrease in available-for-sale investments	(22,800)	(22,800)
Increase in equity investments at fair value through other comprehensive income	22,800	22,800

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

3. OPERATING SEGMENT INFORMATION

The Group's revenue and result for the year ended 31 December 2018 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		Consolidated total	
	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	87,040	80,935	–	–	87,040	80,935
	87,040	80,935	–	–	87,040	80,935
Segment results	5,287	597	–	–	5,287	597
Reconciliation:						
Interest income					170	9
Unallocated expenses					(10,810)	(8,873)
Loss before tax					(5,353)	(8,267)
Income tax expenses					–	–
Loss for the year					(5,353)	(8,267)
Other segment information:						
Capital expenditure	20	–	15,000	–	15,020	–
Depreciation	165	166	–	–	165	166

As at 31 December

	Trading of electronic technology and related products		Media business		Consolidated total	
	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	44,340	87,938	15,000	22,781	59,340	110,719
Unallocated assets					60,346	32,726
Total assets					119,686	143,445
Segment liabilities	159	18,566	–	–	159	18,566
Unallocated liabilities					2,376	696
Total liabilities					2,535	19,262

Geographical information

(a) Revenue from external customers

	For the year ended 31 December	
	2018	2017
	HK\$'000	HK\$'000
Hong Kong	–	–
Mainland China (excluding Hong Kong)	87,040	80,935
	87,040	80,935

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

(b) Non-current assets

	As at 31 December	
	2018	2017
	HK\$'000	HK\$'000
Mainland China (excluding Hong Kong)	38,693	23,205

Revenue from major customers

<i>Trading of electronic technology and related products segment</i>	2018	2017
	HK\$'000	HK\$'000
Customer A	67,792	56,836
Customer B	19,248	24,099
	87,040	80,935

4. REVENUE, OTHER INCOME

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue		
Sales of trading of electronic technology products	87,040	80,935
Revenue from contracts with customers	87,040	80,935

Disaggregation of revenue from contracts with customers:

	For the year ended 31 December 2018		
	Trading <i>HK\$'000</i>	Media <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segments			
Geographical markets			
Mainland China	87,040	–	87,040
Other countries	–	–	–
Total	87,040	–	87,040
Major products/service			
Electronic technology products	87,040	–	87,040
Others	–	–	–
Total	87,040	–	87,040
Timing of revenue recognition			
At a point in time	87,040	–	87,040
Over time	–	–	–
Total	87,040	–	87,040

	For the year ended 31 December 2017		
	Trading	Media	Total
	HK\$'000	HK\$'000	HK\$'000
Segments			
Geographical markets			
Mainland China	80,935	–	80,935
Other countries	–	–	–
	<hr/>		
Total	80,935	–	80,935
	<hr/>		
Major products/service			
Electronic technology products	80,935	–	80,935
Others	–	–	–
	<hr/>		
Total	80,935	–	80,935
	<hr/>		
Timing of revenue recognition			
At a point in time	80,935	–	80,935
Over time	–	–	–
	<hr/>		
Total	80,935	–	80,935
	<hr/>		

Sales of electronic technology products

The Group purchases and sells electronic technology products to the customers. Sales are recognised when control of the products has transferred, being when these products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 60 to 180 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

	2018	2017
	HK\$'000	HK\$'000
Other income		
Bank interest income	170	9
Net exchange gains	27	92
Surcharge income from customers	4,639	–
Others	–	177
	<u>4,836</u>	<u>278</u>

5. LOSS BEFORE TAX

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

	2018	2017
	HK\$'000	HK\$'000
Cost of sales	83,683	77,650
Auditors' remuneration	380	389
Employee benefits expenses (including directors' remuneration):		
– Wages, salaries and allowances	1,152	1,438
– Other benefits in kind	143	104
– Equity-settled share-based payments	1,039	–
– Pension scheme contributions	42	100
Total employee benefits expenses	<u>2,376</u>	<u>1,642</u>
Depreciation	165	166
Minimum lease payments under operating leases, land and buildings	<u>1,950</u>	<u>1,945</u>

6. INCOME TAX EXPENSES

No provision for taxation has been made since the Group has tax loss during the years ended 31 December 2018 and 2017. 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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss before tax:	<u>(5,353)</u>	<u>(8,267)</u>
Tax at the statutory tax rate of 16.5% (2017: 16.5%)	(883)	(1,364)
Effect of different tax rates of subsidiaries operating in other jurisdictions	451	51
Expenses not deductible for tax and income not subject to tax rate	295	29
Tax effect of taxes losses not recognised	<u>137</u>	<u>1,284</u>
Tax charge at the Group's effective tax rate	<u> -</u>	<u> -</u>

At 31 December 2018, the Group has unused tax losses of approximately HK\$113,938,000 (2017: HK\$113,182,000) available indefinitely for offset against future profits. No deferred tax asset (2017: 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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Losses		
Loss for the year attributable to owners of the Company, used in the basic loss per share calculation	<u>(5,406)</u>	<u>(8,273)</u>

Shares	Number of shares ('000)	
	2018	2017
Weighted average number of ordinary shares in issue during the year used in basic loss per share calculation	42,716,118	42,715,353

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the years ended 31 December 2018 and 2017.

8. TRADE RECEIVABLES

The Group's trading terms with other customers are mainly on credit. The credit terms generally range from 60 to 180 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

	2018 HK\$'000	2017 HK\$'000
Trade receivables	35,009	69,911
Provision for loss allowance	–	–
Carrying amount	35,009	69,911

During the year, the trade receivable of approximately HK\$11,169,000 with a surcharge income receivable of HK\$4,639,000 were transferred to a third party, as a portion of the consideration for the acquisition of the Viva Reading Rights.

The aging analysis of trade receivables, based on the contract date, and net of allowance, is as follows:

	2018 HK\$'000	2017 HK\$'000
Within 30 days	–	19,042
31 to 60 days	12,293	–
61 to 90 days	22,716	12,757
Over 91 days	–	38,112
	35,009	69,911

The Group applies the simplified approach under HKFRS 9 “Financial Instruments” to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Over 30 days past due	Over 60 days past due	Over 120 days past due	Total
At 31 December 2018					
Weighted average expected loss rate	0%	0%	0%	0%	0%
Receivable amount (HK\$'000)	35,009	–	–	–	35,009
Loss allowance (HK\$'000)	–	–	–	–	–
At 31 December 2017					
Weighted average expected loss rate	0%	0%	0%	0%	0%
Receivable amount (HK\$'000)	45,606	13,137	2,593	8,575	69,911
Loss allowance (HK\$'000)	–	–	–	–	–

9. CASH AND BANK BALANCES

	2018	2017
	HK\$'000	HK\$'000
Cash and bank balances	21,616	24,182

At the end of the reporting period, the cash and bank balances of the Group denominated in USD was USD1,597,000 (2017: nil) (equivalent to approximately HK\$12,506,000 (2017:nil)) and in Renminbi (“RMB”) was RMB5,406,000 (2017: RMB1,689,000) (equivalent to approximately HK\$6,153,000 (2017: HK\$2,025,000)). 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. CONTINGENT LIABILITIES

As at 31 December 2018, the Group and the Company did not have any significant contingent liabilities (2017: Nil).

11. OPERATING LEASE COMMITMENTS

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within one year	1,973	2,027
In the second to fifth years, inclusive	480	2,507
	2,453	4,534

12. 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>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
New Era Group (China) Limited	<i>(a)</i>		
Rental paid		960	960
Rental deposit paid		160	160
New Era Foundation (China) Limited	<i>(b)</i>		
Rental paid		990	985
Rental deposit paid		168	177

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 (note 18) in the statement of consolidated 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. On 5 May 2017, the Tenancy Agreement A has been further extended a 36 months commencing from 1 July 2017 with the same terms and conditions.

- (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.

On 1 January 2017, New Era China agreed to lease to Boss China an office premise for a term of 36 months commencing on 1 January 2017, Boss China shall pay a deposit of RMB148,000 (equivalent to approximately HK\$177,000), and a monthly rental of approximately RMB74,000 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:

	2018	2017
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	244	210
Equity-settled share option expenses	1,039	–
Pension scheme contributions	–	–
	1,283	210

DIVIDENDS

The Directors do not recommend the payment of any dividend for each of the years ended 31 December 2018 and 2017.

On behalf of the Board (the “Board”) of directors (the “Directors”) of China Trends Holdings Limited (the “Company”), I am pleased to present you the audited results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2018.

The Company’s shares were listed on 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 2018, the Group recorded a revenue of approximately HK\$87,040,000 (2017: HK\$80,935,000), representing a increase of 7.54%.

During the year ended 31 December 2018, the Group incurred a loss of approximately HK\$5,353,000 (2017: HK\$8,267,000) in which the loss attributable to the owners of the Company was approximately HK\$5,406,000 (2017: HK\$8,273,000).

OPERATIONAL REVIEW

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) media and e-commerce platforms and media advertising services.

1. Boss Dream (China) Limited (“Boss China”), a subsidiary of the Company, entered into four purchase contracts (“Purchase Contracts”) with Shenzhen Maijike Optoelectronics Limited (“Maijike”) during the period between October and November of 2016, the consideration of the Purchase Contracts in sum is approximately RMB9.32 million. Mr. Xie Shoucheng, the legal representative of Maijike, signed a series of guarantee agreements to undertake joint and several performances for the Purchase Contracts. After the failure of Maijike to pay the consideration on schedule, to defend Boss China’s legitimate rights and interests, Boss China has appointed lawyers to commence legal proceedings against Maijike and Mr. Xie Shoucheng for the recovery of payment and compensation for late payment in Beijing Arbitration Commission and Shenzhen Court, and received three arbitration awards and the fourth arbitration awards from Beijing Arbitration Commission on 23 January 2018 and 22 August 2018 respectively. According to the arbitration awards, Boss China won all the cases. As for the legal proceeding in Shenzhen Court, Boss China has received judgment from the First Instance Court on 2 November 2018, pursuant to which Boss China won the case.
2. On 14 February 2018, the Company entered into a framework agreement (“Framework Agreement”) with Fuda Investment Inc. (“Fuda”) and Great Chapter Holdings Limited (“Great Chapter”) to acquire 100% shareholdings of Great Chapter, so as to enhance the media contents sources and promotion channels of mobile users for Wealthstorm Platform underneath the Company via utilizing the contents and channels in multiple media areas of an enterprise totally controlled by Great Chapter through series of VIE (Variable Interest Entity) agreements.

To speed up the cooperation, all the parties to the Framework Agreement agreed to streamline the terms of cooperation. On 9 March 2018, the Company entered into a supplementary memorandum (“Supplementary Memorandum”) to the Framework Agreement with Fuda and Great Chapter.

On 26 April 2018, the Company entered into the acquisition agreement (“Acquisition Agreement”) with Fuda, Great Chapter and 無錫維我新媒體科技有限公司 (“Wuxi Weiwo”), pursuant to which Fuda has conditionally agreed to sell and the Company has conditionally agreed to acquire the rights of use and distribution of the content copyrights of the website of “暢讀” at <http://www.vivame.cn>, at a total consideration of HK\$30,000,000 (“Consideration”).

On 25 May 2018, the Company entered into the supplement agreement (“Supplement Agreement”) to the Acquisition Agreement with Fuda, Great Chapter and Wuxi Weiwo on the basis of the original intention of the Acquisition Agreement. The Company shall settle the Consideration by issuing a conditional 3-year promissory note in the principal of HK\$30,000,000 with no interests (“Promissory Note”) to Fuda within 10 business days from the date of fulfillment of the condition precedent as set out in the Acquisition Agreement. The condition (“Redemption Condition”) of redeeming the Promissory Note in cash by the Company is: within 3 years from

the date of issuing the Promissory Note, all the listed Warrants (Warrant Code: 8015) issued by the Company have been exercised. If the Redemption Condition is fulfilled, the Company shall redeem the Promissory Note within 10 business days after fulfillment of the Redemption Condition. If the Redemption Condition is not fulfilled as of the third anniversary of issuing the Promissory Note, then the Company will no longer redeem the Promissory Note, and the Promissory Note will be invalid.

On 28 December 2018, the Company entered into the second supplement agreement (the "Supplement Agreement II") to the Acquisition Agreement with Fuda Investment, Great Chapter, Wuxi Weiwo and Boss Dreams (China) Co., Ltd. ("Boss China"). According to the Supplement Agreement II:

On the signing date of the Supplement Agreement II, a receivable of the Company's subsidiary Boss China owed by Shenzhen Maijike Optoelectronics Co., Ltd. ("Maijike") and its late payment due as of 25 December 2018, which totally amounts to RMB16,087,649.86 (the "Receivables"), were transferred to Fuda Investment, at a discount of HK\$15,000,000 (equivalent to approximately 82.14% discount of the Receivables), for the payment of 50% of the Promissory Note's principal amount, i.e. HK\$15,000,000 by the Company. Fuda Investment meanwhile entrusted Boss China to keep on recovering and collecting the Receivables from Maijike. The principal balance HK\$15,000,000 of the Promissory Note will be redeemed when the Redemption Condition is satisfied in accordance with the Acquisition Agreement. If the Redemption Condition is not fulfilled as of the maturity date of the Promissory Note, the Company will no longer redeem the principal balance of the Promissory Note and the Promissory Note will be automatically invalid.

OUTLOOK AND PROSPECT

The Group will continue to 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 development and expansion of certain business. The Group maintained a healthy liquidity position with a ratio of approximately 23 (2017: 5) and total cash and bank balances amounted to approximately HK\$21,616,000 (2017: HK\$24,182,000) 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 2018. During the year under review, sales and purchases of the Group were mainly transacted in Renminbi. As at 31 December 2018, a substantial portion of the assets and liabilities of the Group were current in nature, and the amounts were principally denominated in Renminbi, foreign exchange risk was considered to be minimal.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year under review.

EMPLOYEES

As at 31 December 2018, there were a total of 11 (2017: 11) staff employed by the Group. The staff costs including Directors' remuneration for the year were approximately HK\$2,376,000 (2017: HK\$1,642,000) of which approximately HK\$1,039,000 (2017: NIL) share-based payments expenses were incurred as a result of grant of share options during the year. The total amount comprised salaries, wages and allowance, medical and insurance coverage, pension scheme contributions, discretionary bonus and share-based payments. The Company ensured that its employees were remunerated according to the prevailing manpower market condition, and individual performance with its remuneration policies reviewed on a regular basis.

CHARGE, CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 December 2018, the Group had commitments under operating lease amounting to approximately HK\$2,453,000 (2017: HK\$4,534,000) 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 is the Chairman of the Board and Chief Executive Officer of the Company during the year 2018. 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.

AUDITOR

The financial statements for the years ended 31 December 2017 and 2018 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 2018.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings") as the code for dealing in securities of the Company by the Directors. Upon the specific enquiry has been made of all the Directors and the Directors confirmed that they complied with the Required Standard of Dealings throughout the Year.

The Company also has established written guidelines on no less exacting terms than the Required Standard of Dealings for securities transactions by employees who are likely to be in possession of any unpublished inside information of the Company.

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, 15 March 2019

As at the date of this announcement, the executive Directors of the Company are Mr. Xiang Xin (Chairman), Mr. Chan Cheong Yee and Mr. Yip, Wing Ho; the independent non-executive Directors of the Company are Mr. Wong Chung Kin, Quentin, Ms. An Jing and Mr. Chen Yicheng. 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.