



# 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)

# 2018 ANNUAL REPORT



## **CHARACTERISTICS OF 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 Main Board of 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 are generally small and mid-sized companies, 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 report, 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 report 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 report misleading.*

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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Mr. Xiang Xin, *Chairman of the Board and Chief Executive Officer*  
 Mr. Chan Cheong Yee  
 Mr. Yip Wing Ho (Appointed on 5 June 2018)

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chung Kin, Quentin  
 Ms. An Jing  
 Mr. Chen Yicheng

## ALTERNATE DIRECTOR

Ms. Kung Ching, alternate director to Mr. Xiang Xin

## COMPLIANCE OFFICERS

Mr. Xiang Xin  
 Mr. Li Wancheng

## COMPANY SECRETARY

Mr. Li Wancheng

## AUTHORISED REPRESENTATIVES

Mr. Xiang Xin  
 Mr. Li Wancheng

## EXECUTIVE COMMITTEE

Mr. Xiang Xin, *chairman of executive committee*  
 Mr. Chan Cheong Yee  
 Mr. Yip Wing Ho (Appointed on 5 June 2018)

## AUDIT COMMITTEE AND REMUNERATION COMMITTEE

Mr. Wong Chung Kin, Quentin, *chairman of audit committee and  
remuneration committee*  
 Ms. An Jing  
 Mr. Chen Yicheng

## NOMINATION COMMITTEE

Mr. Xiang Xin, *chairman of nomination committee*  
 Mr. Wong Chung Kin, Quentin  
 Ms. An Jing

## REGISTERED OFFICE

Cricket Square  
 Hutchins Drive  
 P.O. Box 2681  
 Grand Cayman KY1-1111  
 Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

26/F, No. 9 Des Voeux Road West  
 Sheung Wan  
 Hong Kong

## PRINCIPAL BANKERS

Bank of China  
 Minsheng Bank  
 Hua Xia Bank

## PRINCIPAL SHARE REGISTER AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited  
 4th Floor, Royal Bank House  
 24 Shedden Road, George Town  
 Grand Cayman, KY1-1110  
 Cayman Islands

## HONG KONG BRANCH SHARE REGISTER AND TRANSFER OFFICE

Union Registrars Limited  
 Suites 3301-04, 33/F., Two Chinachem Exchange Square,  
 338 King's Road, North Point,  
 Hong Kong

## AUDITOR

ZHONGHUI ANDA CPA Limited

## LEGAL ADVISERS

*As to Cayman Islands Law*  
 Conyers Dill & Pearman

*As to Hong Kong Law*  
 Michael Li & Co

## STOCK CODE

8171

## WEBSITE OF THE COMPANY

[www.8171.com.hk](http://www.8171.com.hk)

# 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 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 an 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").

# CHAIRMAN'S STATEMENT

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.

# CHAIRMAN'S STATEMENT

## 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.

### **Xiang Xin**

*Chairman and Chief Executive Officer*

Hong Kong

15 March 2019

# 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 current 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.

## 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.



# MANAGEMENT PROFILE

## EXECUTIVE DIRECTORS

**Mr. Xiang Xin** (“Mr. Xiang”), aged 55, is the Chairman of the Board and chief executive officer (“Chief Executive Officer”) of the Company. Mr. Xiang once worked in a number of large organizations in the PRC and engaged in technology project management and corporate strategy research for a long time. Mr. Xiang also possesses many years of experience in project investment and information technology businesses. Mr. Xiang holds a bachelor’s degree in science and a master’s degree in engineering from Nanjing University of Science & Technology. Mr. Xiang is a chairman of China Technology Education Trust Association. Mr. Xiang is currently a chairman of the board of director, chief executive officer and executive director of China Innovation Investment Limited (stock code: 1217), a company listed on the main board of the Stock Exchange. Mr. Xiang joined the Company on 25 February 2008.

**Mr. Chan Cheong Yee** (“Mr. Chan”), aged 55, holds a bachelor degree of science majoring in finance and he is a registered and licensed person under the Securities and Futures Ordinance to carry on regulated activities in dealing in securities, advising on securities, dealing in futures contracts and undertaking asset management. Mr. Chan is currently the sales director and the responsible officer of China Everbright Securities (HK) Limited and has been in the financial and investment field for over 30 years. Mr. Chan is directly involved in identifying investment opportunities, conducting due diligence, performing valuation, monitoring performance of investment portfolios and providing investment and divestment recommendations. Mr. Chan is an executive director of China Investment and Finance Group Limited, executive director of China Investment Development Limited, executive director of Capital VC Limited, executive director of China New Economy Fund Limited, executive director of China Innovation Investment Limited, and the executive director of National investments Fund Limited, which are listed on the main board of the Stock Exchange. Mr. Chan joined the Company on 14 February 2016.

**Mr. Yip Wing Ho** (“Mr. Yip”), aged 51, received his B.S. with honors in Civil Engineering from the Massachusetts Institute of Technology (MIT). Mr. Yip is a permanent member of the Phi Kappa National Honor Society, licensed member of the Securities Association of China and has been engaged in investment for a long time. Mr. Yip is currently a managing partner of 基明資產管理(上海)有限公司 which is an exclusive JV with famous private equity firms Co-Stone Capital, a co-founder of 北京東極創業投資管理有限公司 which is setup and invested together with a reputable company Jardine Matheson, and a director of China Galaxy International SPC. Mr. Yip has been engaged in finance/investment industry for over 20 years, involves himself in work such as identifying investment opportunities, assisting international investment institutions in making Chinese investment strategies, participating in investment and finance actively, and maintaining customer relationships and asset management. Mr. Yip maintains good relationships with Chinese companies and government agencies. Mr. Yip joined the Company in 5 June 2018.

# MANAGEMENT PROFILE

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Ms. An Jing** (“Ms. An”), aged 47, received her bachelor degree in economic from Henan University of Finance and Economics. Ms. An is a practicing member of The Chinese Institute of Certified Public Accountants and the senior partner of 北京正清和會計師事務所 (transliterated as Beijing Zheng Qing He Accounting Firm). Ms. An has over 20 years of experience in accounting and auditing industry. Ms. An joined the Company on 31 January 2011.

**Mr. Chen Yicheng** (“Mr. Chen”), aged 64, received his degree in Chinese from South China Normal University. Mr. Chen is engaged in commercial and television media industry in Mainland China for 40 years, and he has extensive experience in commercial operation of television media. Mr. Chen is currently a member of Guangdong TV Artists’ Association and member of Guangdong Old Correspondents Association. Mr. Chen joined the Company on 9 July 2012.

**Mr. Wong Chung Kin, Quentin** (“Mr. Wong”), aged 47, is the founder and the sole proprietor of Quentin Wong & Co. Certified Public Accountants (Practising). From December 2011 to May 2016, Mr. Wong served as an independent non-executive director of China Investment Fund Company Limited (currently known as China Investment Fund International Holdings Limited) (Stock Code: 612), a company listed on the Main Board of the Stock Exchange. Since March 2012, Mr. Wong served as an independent non-executive director of Value Convergence Holdings Limited (Stock Code: 821), a company listed on the Main Board of the Stock Exchange. Since December 2018, Mr. Wong served as an independent non-executive director of Creative Enterprise Holdings Limited (Stock Code: 3992), a company listed on Main Board of the Stock Exchange. Mr. Wong obtained a bachelor’s degree in accounting and financial management from the University of Essex in July 1996. He obtained a Master of Science degree in internal auditing and management from The City University, London, in July 1998. Mr. Wong has been admitted as a fellow member of The Institute of Chartered Accountants in England and Wales since June 2008. He has been admitted as a fellow member of the Taxation Institute of Hong Kong since April 2009, the Society of Chinese Accountants & Auditors since December 2015, the Hong Kong Institute of Certified Public Accountants since February 2011 and the Association of Chartered Certified Accountants since November 2008. Mr. Wong joined the Company on 4 November 2016.

## ALTERNATE DIRECTOR

**Ms. Kung Ching** (“Ms. Kung”), aged 49, graduated from Nanjing University of Science and Technology and holds a MBA from the University of South Australia. Ms. Kung once worked for large organizations in China, such as China National Defense Science and Technology Information Centre and CITIC International Cooperation Limited, engaged in technology management and economic management for many years. Ms. Kung is the spouse of Mr. Xiang, and is an alternate director to Mr. Xiang in China Innovation Investment Limited, a company listed on the main board of the Stock Exchange. Ms. Kung joined the Company on 8 October 2012.

# REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2018.

## PRINCIPAL ACTIVITIES

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.

## RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2018 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 38 to 41. The Directors do not recommend the payment of any dividend in respect of the year.

## SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 86. This summary does not form part of the audited financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 13 to the financial statements.

## SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital during the year are set out in note 22 to the financial statements.

Details of movements in the Company's share options during the year are set out in note 23 to the financial statements.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## RELATED PARTY TRANSACTIONS

Details of the significant related party transactions during the year ended 31 December 2018 are disclosed in note 28 to the financial statements.

# REPORT OF THE DIRECTORS

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

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

## **RESERVES**

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and in note 24 to the financial statements, respectively.

## **MAJOR CUSTOMERS AND SUPPLIERS**

In the year under review, sales to the Group's five largest customers accounted for 100% of the total sales for the year and sales to the largest customer included therein accounted for 77.85%. Purchases from the Group's five largest suppliers accounted for 100.00% of the total purchases for the year and purchases from the largest supplier included therein accounted for 41.41%.

None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

## **DIRECTORS**

The Directors of the Company during the year and up to the date of this report were:

### **Executive Directors:**

Mr. Xiang Xin

Mr. Chan Cheong Yee

Mr. Yip Wing Ho (Appointed on 5 June 2018)

### **Independent non-executive Directors:**

Ms. An Jing

Mr. Chen Yicheng

Mr. Wong Chung Kin, Quentin

### **Alternate Directors:**

Ms. Kung Ching

# REPORT OF THE DIRECTORS

According to Article 87(1), one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. In addition, according to Article 86(3), any Director appointed by the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for reelection.

In accordance with article 87(1) of the Articles of Association of the Company, Mr. Xiang Xin and Mrs. An Jing shall retire by rotation at the annual general meeting of the Company. Mr. Xiang Xin and Mrs. An Jing, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

In accordance with article 86(3) of the Articles of Association of the Company, Mr. Yip Wing Ho shall retire at the general meeting of the Company. Mr. Yip Wing Ho, being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company.

The independent non-executive directors are not appointed for specific term and are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on page 7 and 8 of the annual report.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors of the Company has entered into a service contract with the Company and they are not appointed for a specific term. Their appointment will be subject to retirement and re-election by the shareholders pursuant to the articles of association of the Company.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' REMUNERATION

The Directors' remuneration are subject to the authority granted by the shareholders of the Company to the Board to fix their remuneration or shareholders' approval at general meetings and monitored by the remuneration committee on a continuous basis. Other emoluments are determined by the Company's remuneration committee with reference to directors' duties, responsibilities and performance and the results of the Group.

# REPORT OF THE DIRECTORS

## DIRECTORS' INTERESTS IN CONTRACTS

Apart from those details in note 28 to the financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

## MANAGEMENT CONTRACTS

Apart from those details in note 28 to the financial statements, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries were entered into or existed during the year.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2018, the interests of the Directors or chief executive and their associates in the shares and underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### (i) Interest in the underlying shares of the Company — share option

Name of Director	Date of grant	Exercise period	Nature of interest	Exercise price per share HK\$ (note 2)	Number of underlying Shares for Share Options	Approximately percentage of interest
Xiang Xin	6 July 2014	6 July 2014 to 5 July 2024	Beneficial interest	0.025	120,000,000 (L)	0.28%
Chan Cheong Yee	4 April 2018	4 April 2018 to 3 April 2028	Beneficial interest	0.025	120,000,000 (L)	0.28%
Wong Chung Kin, Quentin	4 April 2018	4 April 2018 to 3 April 2028	Beneficial interest	0.025	60,000,000 (L)	0.14%
An Jing	6 July 2014	6 July 2014 to 5 July 2024	Beneficial interest	0.025	60,000,000 (L)	0.14%
Chen Yicheng	6 July 2014	6 July 2014 to 5 July 2024	Beneficial interest	0.025	60,000,000 (L)	0.14%

Notes:

- The letter "L" denotes the Shareholders' long position in the Shares.
- Adjustment of share option upon completion of bonus shares issued on 24 March 2016.

# REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2018, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2018, according to the register kept by the Company pursuant to section 336 of SFO, and so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any member of the Company:

### (i) Interest in issued shares

Name	Nature of interest	Number of Shares held	Approximately percentage of interests
Honour Sky International Limited ( <i>note 2</i> )	Beneficial owner	12,583,683,830 (L)	29.46%
China Technology Education Trust Association ( <i>note 2</i> )	Interest of controlled corporation	12,583,683,830 (L)	29.46%
Yu Bin ( <i>note 3</i> ) ( <i>note 5</i> )	Beneficial owner	3,255,360,000 (L)	7.62%
Zheng Yan ( <i>note 3</i> ) ( <i>note 5</i> )	Beneficial owner	3,255,360,000 (L)	7.62%
Kuan Hsin Huei ( <i>note 3</i> )	Beneficial owner	1,637,440,000 (L)	3.83%
Ruan Xiaoping ( <i>note 3</i> )	Beneficial owner	1,500,000,000 (L)	3.51%
Chen Yingjiu ( <i>note 3</i> )	Beneficial owner	602,400,000 (L)	1.41%
Wang Jianjun ( <i>note 3</i> )	Beneficial owner	300,000,000 (L)	0.70%

# REPORT OF THE DIRECTORS

## (ii) Interest in the underlying shares of the Company — 2021 Warrants (warrant code: 8015)

Name	Date of grant	Exercise period	Nature of interest	Exercise price per share HK\$	Number of underlying shares for 2021 Warrants	Approximately percentage of interests (note 4)
Kuan Hsin Huei (note 3)	29 March 2016	29 March 2016 to 28 March 2021	Beneficial owner	0.0125	875,152,000 (L)	2.05%
Yu Bin (note 3) (note 5)	29 March 2016	29 March 2016 to 28 March 2021	Beneficial owner	0.0125	569,760,000 (L)	1.33%
Zheng Yan (note 3) (note 5)	29 March 2016	29 March 2016 to 28 March 2021	Beneficial owner	0.0125	569,760,000 (L)	1.33%
Ruan Xiaoping (note 3)	29 March 2016	29 March 2016 to 28 March 2021	Beneficial owner	0.0125	300,000,000 (L)	0.70%
Chen Yingjiu (note 3)	29 March 2016	29 March 2016 to 28 March 2021	Beneficial owner	0.0125	120,480,000 (L)	0.28%
Wang Jianjun (note 3)	29 March 2016	29 March 2016 to 28 March 2021	Beneficial owner	0.0125	60,000,000 (L)	0.14%

Notes:

1. The letter "L" denotes the Shareholders' long position in the Shares.
2. Honour Sky International Limited is a private company wholly and beneficially owned by China Technology Education Trust Association (the "Trust Association"). Accordingly, the Trust Association is interested in the Shares and the underlying Shares of the Company held by Honour Sky International Limited. The Trust Association is a society registered under the provisions of section 5A(1) of the Societies Ordinance in 2005, which is a charitable society providing charity and financial aid to technology education and employment in Hong Kong and Mainland China. Mr. Xiang is a chairman of the Trust Association.
3. According to the disclosure of interest of the Stock Exchange, Kuan Hsin Huei, Ruan Xiaoping, Yu Bin, Zheng Yan, Chen Yingjiu and Wang Jiajun are the parties acting in concert. They are interested in shares of approximately 17.07% and in warrants of approximately 4.50% of the total issued share capital of the Company.
4. The approximately percentage of interests in the Company is calculated on the basis of 42,716,118,022 Shares in issue as at 31 December 2018.
5. According to the disclosure of interest of the Stock Exchange, Yu Bin and Zheng Yan are in the interest of children under 18 and/or spouse.

Save as disclosed above and so far as is known to the Directors or chief executive of the Company, as at 31 December 2018, there was no person (other than a Director or chief executive of the Company) who had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying rights to vote in all circumstances at general meeting of any other member of the Company.



# REPORT OF THE DIRECTORS

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial parts of the business of the Company were entered into or existed during the period under review.

## COMPETING INTERESTS

None of the Directors or the management shareholders of the Company or their respective associates as defined in the GEM Listing Rules had any interest in business that competed or might compete with business of the Group during the year under review.

## SHARE OPTION SCHEME

As regards to the share option scheme ("Share Option Scheme") approved by shareholders on 1 November 2010 and 6 May 2016, there were 3,905,636,675 Shares available for issue under Share Option Scheme which represents approximately 9.14% of the issued share capital of the Company as at 31 December 2018. Details of Share Option Scheme and share options movements are set out in note 23 to the financial statement.

## 2021 WARRANTS (WARRANT CODE: 8015)

The Company has issued the bonus warrants on the basis of two bonus warrants for every five existing shares held on 17 March 2016, subjects to adjustment. The subscription rights attached to the bonus warrants will be exercisable from 29 March 2016, the date of issuance until the close of business on 28 March 2021.

After ordinary resolution has been passed at extra ordinary general meeting on 7 March 2016 to approve the bonus warrants issue, 8,159,911,432 units of bonus warrants (warrant code: 8015) with initial subscription price of HK\$0.0125 per bonus warrants has been issued and listed on the GEM of the Stock Exchange of Hong Kong Limited.

During the year under review, 1,600 units of bonus warrants has been exercised by warrant holders of the Company and 6,283,350,568 units of bonus warrants are outstanding as at 31 December 2018.

## 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.

## CORPORATE GOVERNANCE

The Company has complied with most of the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules ("Code") throughout the Year. Please refer to the Corporate Governance Report on page 17 to 24 of this annual report for details.

# REPORT OF THE DIRECTORS

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company maintained the prescribed public float under the GEM Listing Rules.

## 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.

## 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.

ON BEHALF OF THE BOARD

### **Xiang Xin**

*Chairman and Chief Executive Officer*

Hong Kong  
15 March 2019

# CORPORATE GOVERNANCE REPORT

## 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.

## 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.

## BOARD OF DIRECTORS

The Board of the Company as at the date of the annual report comprises:

Executive Directors:	Mr. Xiang Xin Mr. Chan Cheong Yee Mr. Yip Wing Ho
Independent non-executive Directors:	Mr. Wong Chung Kin, Quentin Ms. An Jing Mr. Chen Yicheng
Alternate Director:	Ms. Kung Ching

# CORPORATE GOVERNANCE REPORT

The Board is responsible for the leadership and control of the Company. It also oversees the Group's businesses, strategic decisions and directions, and performances. The management was delegated the authority and responsibility by the Board for the general management of the Group. In addition, the Board has also delegated various responsibilities to other committees. Further details of other committees are set out in this report.

The Board has at least four scheduled regular meetings a year at quarterly interval and meets as and when required. The attendance of each director at the board meetings during the year are as follows:

Directors	Number of attendance
Mr. Xiang Xin	7/7
Mr. Chan Cheong Yee	7/7
Mr. Yip Wing Ho	3/3
Ms. An Jing	7/7
Mr. Chen Yicheng	7/7
Mr. Wong Chung Kin, Quentin	7/7

Board minutes are kept by the company secretary of the Company. Draft and final versions of the Board minutes are sent to the Directors for their comments and records, in both cases within a reasonable time after the meeting.

The Directors are able, upon the reasonable request, to seek independent professional advice under appropriate circumstances, at the Company's expenses, in order to discharge their responsibilities and duties under appropriate independent professional advice.

Appropriate insurance cover has been arranged in respect of legal action against its Directors and senior management.

## BOARD DIVERSITY POLICY

The Company has a Board Diversity Policy whereby it recognizes and embraces the benefits of a diversity of Board members. It endeavors to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The following tables further illustrate the diversity of the Board members as of the date of this annual report:

Name of Director	Gender		Age Group			Area	
	Male	Female	40 to 49	50 to 59	60+	Hong Kong	China Mainland
Mr. Xiang Xin	✓			✓		✓	
Mr. Chan Cheong Yee	✓			✓		✓	
Mr. Yip Wing Ho	✓			✓		✓	
Ms. An Jing		✓	✓				✓
Mr. Chen Yicheng	✓				✓		✓
Mr. Wong Chung Kin, Quentin	✓			✓		✓	
Ms. Kung Ching		✓	✓			✓	

# CORPORATE GOVERNANCE REPORT

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Xiang Xin is the Chairman of the Board and the Chief Executive Officer of the Company. The chairman's and the chief executive officer's responsibility is to manage the Board and the Company's day-to-day business, respectively. Management is responsible for the day-to-day operations of the Company under the leadership of the chief executive officer.

The chief executive officer, working with other executive Directors, is responsible for managing the business of the Company, including implementation of the strategies and decisions approved by the Board and assuming full responsibility to the Board for operation of the Company.

## EXECUTIVE COMMITTEE

An executive committee (the "Executive Committee") was established by the Board in March 2012 and delegated with powers from the Board to deal with all matters relating to the daily operations of the Company. The Executive Committee comprises all executive Directors of the Company.

Full minutes of Executive Committee meetings are kept by the duly appointed company secretary. Draft and final versions of minutes of the Executive Committee meetings are sent to all members of the committee for their comments and records, in both cases within a reasonable time after the meeting.

The Executive Committee held periodical meetings during the financial year to review, discuss and evaluate the business performance and operational matters of the Company. The attendance of each member at the meeting(s) during the year is set out as follows:

<b>Directors</b>	<b>Number of attendance</b>
Mr. Xiang Xin	0/0
Mr. Chan Cheong Yee	0/0
Mr. Yip Wing Ho	0/0

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors of the Company are persons of high calibre, with academic and professional qualifications in the field of accounting and law. With their solid experience, they can provide strong support to perform their duties delegated by the Board effectively.

All independent non-executive Directors are considered to be independent by the Board as the Board received the annual confirmation of independence from each of them as required by the GEM Listing Rules.

# CORPORATE GOVERNANCE REPORT

## REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") in December 2005. All of the members of the Remuneration Committee are the independent non-executive Directors of the Company. The attendance of each member at the meeting(s) during the year is set out as follows:

	<b>Number of attendance</b>
Mr. Wong Chung Kin, Quentin	0/0
Mr. Chen Yicheng	0/0
Ms. An Jing	0/0

Full minutes of Remuneration Committee meetings are kept by the duly appointed company secretary. Draft and final versions of minutes of the Remuneration Committee meetings are sent to all members of the Remuneration Committee for their comments and records, in both cases within a reasonable time after the meeting.

The Remuneration Committee determines the policy for the remuneration of executive Directors, assesses performance of executive Directors and approves the terms of executive Directors' service contracts.

## EXTERNAL AUDITORS

The Audit Committee is mandated to monitor the independence of the external auditor to ensure true objectivity in the consolidated financial statements. Members of the Committee are of the view that the Company's auditor, ZHONGHUI ANDA CPA Limited is independent and recommended to the Board to re-appoint it as the Company's external auditor at the forthcoming annual general meeting.

ZHONGHUI ANDA CPA Limited has rendered audit services and certain non-audit services to the Company for the Year and the remuneration paid/payable to it by the Company is set out as follows:

	<i>HK\$'000</i>
<b>ZHONGHUI ANDA CPA Limited</b>	
Annual audit services	380

# CORPORATE GOVERNANCE REPORT

## 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 comprises all independent non-executive Directors of the Company. The attendance of each member at the meetings during the year is set out as follows:

	<b>Number of attendance</b>
Mr. Wong Chung Kin, Quentin	4/4
Mr. Chen Yicheng	4/4
Ms. An Jing	4/4

Full minutes of Audit Committee meetings are kept by the duly appointed company secretary. Draft and final versions of minutes of the Audit Committee meetings are sent to all members of the Audit Committee for their comments and records, in both cases within a reasonable time after the meeting.

The Audit Committee reviews the quarterly, interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the GEM Listing Rules and the legal requirements in the review of the Company's quarterly, interim and annual reports.

## NOMINATION COMMITTEE

A nomination committee (the "Nomination Committee") was established by the Board in March 2012 in accordance with the requirements of the GEM Listing Rules. The Nomination Committee comprises three Directors of the Company. The attendance of each member at the meetings during the year is set out as follows:

	<b>Number of attendance</b>
Mr. Xiang Xin	1/1
Mr. Wong Chung Kin, Quentin	1/1
Ms. An Jing	1/1

Full minutes of Nomination Committee meetings are kept by the duly appointed company secretary. Draft and final versions of minutes of the Nomination Committee meetings are sent to all members of the committee for their comments and records, in both cases within a reasonable time after the meeting.

In considering the new appointment of Directors, the Nomination Committee will make reference to certain criteria such as integrity, independent mindedness, experience, skill and the ability to commit time and effort to carry out his duties and responsibility effectively.

# CORPORATE GOVERNANCE REPORT

## ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the accounts of the Company. As at the Year, the Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis.

The responsibilities of the external auditor on financial reporting are set out in the Independent Auditor's Report attached to the Company's Financial Statements for the Year.

The Board has regularly reviewed the effectiveness of the Company's internal control system with an aim to safeguard the shareholders' interests and the Company's assets. The purpose is to provide reasonable, but not absolute, assurance against material misstatements, errors, losses or fraud, and to manage rather than eliminate risks of failure in achieving the Company's business objectives.

## DIRECTORS' TRAININGS

Newly appointed Directors receive briefings and orientation on legal responsibilities as a Director and the role of the Board. The Company Secretary also provides latest information of the business development, market changes and updates in the Listing Rules and relevant legal and regulatory requirements to the Directors in a timely manner in order to make an informed decision and discharge their duties and responsibilities.

The Company has also arranged for Directors to attend training sessions and forums which place emphasis on the roles, functions and duties of a listed company director, as well as the development of regulatory updates and issues.

All the current Directors have, during the financial year under review, pursued continuous professional development, such attending seminars and/or conferences and/or forums, and/or reading journals, updates, articles and/or materials, etc.

## COMPANY SECRETARY

The Company Secretary, Mr. Li Wancheng, is a seasoned employee of the Company and is familiar with the Company's state of affairs. He reports to the Chairman and the Board of Directors directly. The main responsibility of the Company Secretary is supervision of the Company's compliances with laws and regulations, for instances, the GEM Listing Rules, the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong), the Companies Ordinance (Cap 622 of the laws of Hong Kong) and the Codes on Takeovers and Mergers and Share Buy-back.

All Directors have access to the advices and services of the Company Secretary to ensure that Board procedures, and all applicable law, rules and regulations, are obligated.

The Company Secretary confirmed that he had taken no less than 15 hours of relevant professional training during the financial year.



# CORPORATE GOVERNANCE REPORT

## FINANCIAL REPORTING

The Board acknowledges its responsibilities for overseeing the preparation of financial statements for the financial year, which shall give a true and fair view of the financial position of the Group and of the Group's financial performance and cash flows for the relevant periods, and in compliance with all the relevant statutory requirements, GEM Listing Rules requirements and applicable accounting standards. The Board is committed to present a clear, balanced and understandable assessment of the Group's performance and financial positions in all its financial reporting and to ensure relevant publications in a timely manner.

Below principles are strictly observed in preparation of the financial statements of the Group:

- appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards;
- appropriate and reasonable judgments and estimates are made; and
- reasons for any significant departure from applicable accounting standards, if any, is clearly stated.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as referred to in C.1.3 of the Corporate Governance Code.

The Directors are satisfied with the Group's performance on the basis that the Company generates or preserves value over the longer term and delivers the Company's objectives through its business model.

## RISK GOVERNANCE STRUCTURE

The Board has overall responsibilities for the Group's risk management and internal control systems to safeguard the interests of the Group and its Shareholders as a whole. To this end, the Board oversees and approves the Group's risk management and internal control strategies and policies, which are aimed at evaluating and determining the nature and extent of the risks that are compatible with the Group's strategic objectives and risk appetite, with the main purpose of providing of reasonable assurance against material misstatement or loss rather than absolute elimination of the risk of failure to achieve business objectives.

Reporting to the Board, the Audit Committee is delegated with the authority and responsibility for ongoing monitoring and evaluation of the effectiveness of the relevant systems.

## INTERNAL CONTROL

The Group conducted an annual review for the need of setting up an internal audit department. Given the Group's simple operating structure, it was decided that the Board would be directly responsible for the internal control system of the Group and for reviewing its effectiveness.

Procedures have been designed to safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance of applicable laws, rules or regulations. However, such a system is designed to manage the Group's risk within an acceptable risk profile, rather than to eliminate the risk of failure, to achieve the business objectives of the Group. Accordingly, it can provide only reasonable assurance but not absolute assurance against material misstatement of management and financial information and records or against financial losses or frauds.

# CORPORATE GOVERNANCE REPORT

The Board has conducted a review of the effectiveness of the Company's internal control system, and is of the view that the system of internal controls in place for the year under review and up to the date of issuance of annual report and financial statements is sound and is sufficient to safeguard the interests of shareholders, employees, and the Company's assets.

The Audit Committee of the Company agreed with the Board that the adequacy and effectiveness of the Company's internal control systems is sufficient.

## SHAREHOLDERS' RIGHTS

The Company maintains an on-going communication with its shareholders through various channels including announcements and annual, interim and quarterly reports published on its website at [www.8171.com.hk](http://www.8171.com.hk) and the Company's general meetings. All shareholders are encouraged to attend general meetings and they may put to the Board any enquiries about the Group through its website at [www.8171.com.hk](http://www.8171.com.hk) or in writing sent to the principal office of the Company at 26/F, No. 9, Des Voeux Road West, Sheung Wan, Hong Kong.

The directors, company secretary or other appropriate members of senior management respond to enquiries from shareholders promptly. The Chairman, chairman of board committees (or their respective delegates) and external auditor attend the annual general meeting and are available to answer questions raised by shareholders. Shareholders may also access the Company's corporate website for the Group's information.

Under code provision A.6.7 independent non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders.

## RELATIONSHIP AMONG MEMBERS OF THE BOARD

There is no relationship among members of the Board in respect of financial, business, family or other material/relevant relationship.

## INVESTOR RELATIONS

The Company maintains a website at [www.8171.com.hk](http://www.8171.com.hk) where information and updates on the Company's business developments and operations, list of Directors and their role and function, constitutional documents, terms of reference of the Board and its committees, shareholders' rights and communication policy, corporate governance practices, announcements, circulars and reports released to the Stock Exchange and other information are posted. Information on the Company's website will be updated from time to time.

There was no significant change in the Company's constitutional documents during the Year.

## ENVIRONMENTAL ISSUES

The Company is committed to the sustainable development of the environment and our society. The Group has endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental policies to ensure its projects meet the required standards and ethics in respect of environmental protection.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THE REPORT

The report discloses the sustainability initiatives by the Company and was prepared in accordance with the Environmental, Social and Governance (“ESG”) Reporting Guide set out in Appendix 20 of the Rules of Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited. Unless otherwise specified, the time frame of this report is from 1 January 2018 to 31 December 2018.

The Company and its subsidiaries (collectively the “Group”) are principally engaged in (i) trading of electronic technology and related products, and (ii) media and e-commerce platforms and media advertising services. The company realized that a socially responsible corporation earns support from the public and its clients, thus it is able to create profit for its shareholders in the long run.

The Company seeks to facilitate the long-term sustainable development of the environment and the society in which it operates in, and is therefore committed to minimizing any negative social and environmental impacts resulting from our operations. The Company values the importance of compliance with all relevant laws and regulations.

## KEY ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES

As a information technology and investment holding company, the Group encounters and manages a range of environmental, social and governance (“ESG”) issues. This report is designed to focus on the set of ESG issues we have identified as among the most relevant to our business and of highest interest to our key stakeholders.

We have identified the following categories and specific key issues that are discussed in this report:

Categories	Key Issues
<b>Friendly Environment</b>	<ul style="list-style-type: none"> <li>• Managing our Environmental Impact</li> <li>• Reducing Emissions</li> <li>• Sustainable Paper Use</li> <li>• Managing Information Technology Equipment</li> <li>• Environmental Data</li> </ul>
<b>Social Responsibility</b>	<ul style="list-style-type: none"> <li>• Employment</li> <li>• Workforce, Recruitment and Promotion</li> <li>• Remuneration and Benefits</li> <li>• Health and Safety</li> <li>• Development and Training</li> <li>• Labour Standards</li> <li>• Supply Chain Management</li> <li>• Product Responsibility</li> <li>• Anticorruption</li> </ul>
<b>Sound Governance</b>	<ul style="list-style-type: none"> <li>• Accountability of Management</li> <li>• Independence of Board of Directors</li> </ul>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## FRIENDLY ENVIRONMENT

### Managing our Environmental Impact

As a information technology and investment-holding corporation, our direct environmental impacts stem primarily from the operation of our office buildings where are in Hong Kong and Beijing. Electricity Energy used and associated greenhouse gas (“GHG”) emissions are the most significant environmental impacts of our facilities. The company’s other key environmental impacts result from paper consumption and use of information technology (IT) equipment.

The Group recognizes its responsibility to protect the planet and preserve its beauty and resources to the next generation. We strive to enhance production efficiency and strengthen our environmental protection efforts on conserving resources and managing waste from our business activities. The Group should bring great focus on these issues, for its own benefits and for environmental protection consideration, in order to contribute to the continuous development of society.

When contact with its clients and suppliers, the Company is prefer to the more efficient ways, such as internet, email, phone call and conference call, rather than business trip.

### Reducing Emissions

Operating office facilities consumes so much power that generate GHGs indirectly.

In 2018, the Group took the following specific actions for minimizing energy wastage from high consumption equipment such as lighting, computer and central air-conditioning of the offices. The details are as follows:

1. Once leave working area for more than 10 minutes, every employee is required to shut down office lights.
2. Every employee is required to shut down office computer, while make sure that air conditioners and lights being closed after office hours.

Committing to resources-saving and environmental protection is the Group’s social responsibility and building a green community is its obligation to property owners.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Sustainable Paper Use

We think it is important to select the paper we use from supplier with “Zero Deforestation Commitment”, which supports responsible forest management and provide many significant long-term benefits for the environment and communities. In 2018, approximately 99% of the paper we purchased was from suppliers with “Zero Deforestation Commitment”.

We also strive to use paper efficiently and make it convenient for and clients, suppliers and employees to do so. We offer paperless billing options for clients and suppliers and have implemented smart printing methods for employees. Meanwhile, we recycle the paper we have used. Some steps include:

1. Only in absolute necessary could the documents be printed.
2. If printing is unavoidable, it is highly recommended to print in double-side way.
3. If possible, reusing printing papers as notebook and scratch paper.

## Managing Information Technology Equipment

The use and disposal of IT equipments such as computers and servers is another focus of our operational sustainability efforts. IT hardware has a range of potential social and environmental impacts across its life cycle from production, use and eventual disposal.

The Group aims to maximize the lifespan of IT equipment by finding opportunities to refurbish and redeploy assets internally whenever feasible. When we cannot reuse equipment internally, we work with our suppliers to recycle the materials or seek to donate them to nonprofit organizations. All IT equipment we refurbish, recycle or donate meets our strict data privacy standards.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Environmental Data

### Printing paper consumption

	2017		2018	
	Hong Kong Office	Beijing Office	Hong Kong Office	Beijing Office
Printing Paper Consumption (A4 Sheets)	15,890	2,720	16,212	2,675

### Electronic Energy consumption data and Greenhouse Gas Emissions

	2017		2018	
	Electronic Energy Consumption (kWh)	Greenhouse Gas Emissions tCO <sub>2</sub> e (Kg)	Electronic Energy Consumption (kWh)	Greenhouse Gas Emissions tCO <sub>2</sub> e (Kg)
Hong Kong Office <sup>1</sup>	11,561	9,133	12,173	9,617
Beijing Office <sup>2</sup>	7,660	7,660	7,031	6,806
Total	19,221	16,793	19,204	16,423

- Using the emission factor stated in the 2017 Sustainability Reports of The Hong Kong Electric Co. Ltd., which is 0.79 (2016: 0.79) CO<sub>2</sub>e per electricity unit sold (kg/kWh).
- Using the emission factor stated in the 2017 China Regional Grid Baseline Emission Factor issued by the Response to Climate Change Division of China National Development and Reform Commission, which is 0.9680 (2016: 1.0000) CO<sub>2</sub>e per electricity unit sold (kg/kWh) regarding Northeast Regional Power Grid.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## SOCIAL RESPONSIBILITY

### Employment

The Group has so strictly complied with relevant standards that there was no material non-compliance event in 2018.

### Working Environment

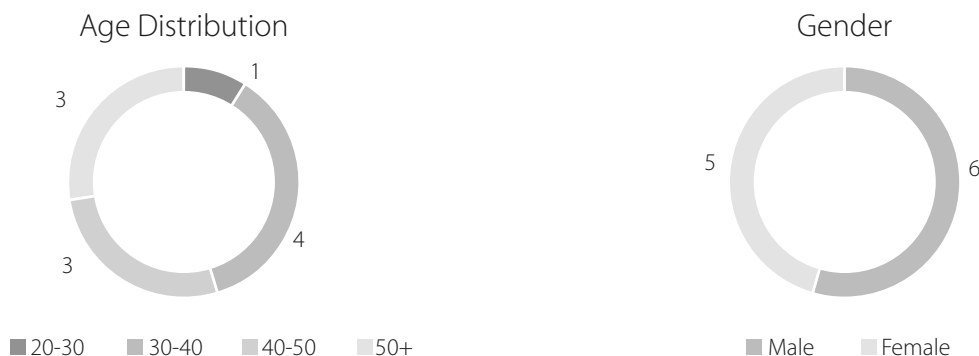
The Company is dedicated to employee development by providing them with incentives based on their performance and contribution. The Group has a fair and open incentive award scheme whereby the remuneration structure and package will be reviewed annually, and the performance will be reviewed monthly to ensure the remuneration is fair and competitive. The Group provides full social insurance for employees in China Mainland, Mandatory Provident Fund for employees in Hong Kong and accident insurance for all employees. The employees can also enjoy various products and services discounts from the Group's business partners, including enjoying the welfare plan in the Wealth Storm Platform, thereby enhancing a sense of belonging to the Group.

### Workforce, Recruitment and Promotion

The Group prepared a set of staff recruitment standards and position manuals, and recruited staff according to personal capability, experience and characters of candidates. The Group recruits and trains talents regardless of their gender, age, family status and religious belief. The Group offers equal opportunities to all employees and job applicants.

In 2018, the Group recruited talents mainly through third party online recruitment platforms which allowed effective sharing of information on candidates and enhanced recruitment efficiency.

As at 31 December 2018, the Group had a total of 11 (2017: 11) staff. The charts below show the demographics of the Group's workforce as at 31 December 2018. Staff of the Group ranged in age from 20 to over 50, with the majority of around 64% (2017: 64%) aged between 30 and 50. The ratio of male to female is around 1.2:1 (2017: 1.2:1) both in total and in the management level. The Group has a diverse workforce in terms of gender and age, providing a variety of ideas and levels of competencies which contribute to the Group's success.



The Group has offices in Hong Kong and Beijing. There is no big difference for staff turnover rate by gender, by age group and geographical region.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Remuneration and Benefits

The Group is dedicated to improving employees' work enthusiasm by providing them with incentives based on their performance and contribution. The Group has a fair and open incentive award scheme whereby the remuneration structure and package will be reviewed annually and the performance will be reviewed monthly to ensure the remuneration is fair and competitive. The Group provides full social insurance for employees in China Mainland, Mandatory Provident Fund for employees in Hong Kong and accident insurances for all employees. The employees can also enjoy discounts on various products and services provided by from the Group's business partners, including enjoying the welfare plan in the Wealth Storm Platform in order to enhance employee's a sense of belonging to the Group.

To reflect the working performance of each department, the Group has set up performance valuation guideline for employees. The bonus will be based on the employees' performance and the Group's business results. Through the performance valuation guideline, the Group hopes to incentivize the employees to gain profits with integrity by taking active initiative in their work.

The Group adheres to the people-oriented employment policy by highly appreciating the staff as its most valuable assets and the vitality of enterprises. The Group encourages employees to obtain professional qualifications and provided necessary subsidies and allowances to enhance their personal development, to further develop their working capability and then to be entitled competitive remuneration and benefits.

## Health and Safety

The Group has adopted a people-oriented principle, and endeavored to maintain a healthy and safe workplace for its employees. The Group has a low safety risk profile, however, potential injury hazards from slips, trips and falls for staffs still remain. The Group therefore gave great importance on the issue of health and safety.

There were no work-related fatalities in the Group in 2018. There was no case resulted in lost days of any employee due to work injury. The Group places much emphasis on safe and healthy work for employees. The Group always endeavors to build up a healthy and comfortable working environment.

The Group has arranged the Administration Department for the management and control of all kinds of safety accidents from subsidiaries in Mainland China and Hong Kong. The Administration Department is responsible for monitoring health and safety performance, and reporting to the senior management of the Company on hazardous and unsafe practices in a timely manner. Once a health and safety incident happens, the Administration Department would be informed immediately to take all necessary actions. After investigation, all subsidiaries will be informed the reason leading to this accident immediately and taking all safety precautions, with the aim to eliminate potential safety hazard. The Group emphasizes safety awareness and enhances emergency response and self-rescue capacity among employees. The Administration Department has always kept contact with all subsidiaries to monitor and examine the implementation of health and safety regulations by each subsidiary, with a view to maintain a better work safety protection and environment.

The Group has strictly complied with relevant standard and there was no material non-compliance event in 2018.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Charity Activities

The Company has been adhering to the tradition of charity care and enthusiasm for public welfare, actively fulfilling its corporate social responsibility, taking responsibility for consumers, communities and the environment while encouraging profitability and taking legal responsibility for shareholders and employees and encouraging employees to participate in different Charity activities, corporate social responsibility as an important part of sustainable development of the Company.

## DEVELOPMENT AND TRAINING

The Group focuses on reserving talents and promoting their development. The Group organizes weekly one-hour internal trainings for all employees. Trainings were charged by the department managers and/or directors, with over 50 trainings hours in 2018 covering all important aspects of the business of the Group. Nearly 100% of all employees had joined in the weekly internal trainings in 2018.

In 2018, the Group made active progress in terms of talents pooling and promotion of their development, building up a training strategy as the catalyst of further development. Training efficiency was greatly enhanced as regular training subjects were implemented in the afternoon of every Friday via video conference meeting so that all employees can participate the training courses at the same time and openly discuss the topics in depth.

1. Every week, one department will be responsible for the training topics and contents. Every employee would act as tutor.
2. The training topics are discussed and agreed in the regular management meeting of the Group on every Monday.

## Labour Standards

The Group always upholding core principles of fairness and compliance, and its personnel policies, salaries and benefits and business operation are in full compliance with Hong Kong laws and ordinances, PRC laws and regulations as well as industry standards. The Company has formulated transparent recruitment rules to provide equal employment opportunities and create a fair and harmonious working environment. Moreover, the Group bases its welfare policy upon state and local regulations to ensure that female employees are entitled to their legitimate rights and interests including maternal leave, breastfeeding leave and Women's Day holiday, and in combination with strict workplace code of conduct, to eliminate gender discrimination and other injustices.

As to labor standards, the Company's employment policy is in full compliance with the Employment Ordinance (CAP 57), the Mandatory Provident Fund Schemes Ordinance (CAP 485), the Race Discrimination Ordinance (CAP 602), the Disability Discrimination Ordinance (CAP 487), the Family Status Discrimination Ordinance (CAP 527) in Hong Kong, and the Labour Law, the Labour Contract Law, the Enterprise Labour Union Regulations and local labour regulations in China, stipulating the code of conduct for the management in recruiting employees and entering into employment contracts and forbidding recruitment of child labor, forced labor and other illegal acts.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Supply Chain Management

The Group adopts a personalized approach to the building of long-term relationships with its cooperative suppliers.

To regulate procurement activities, enhance the efficiency and effectiveness of procurements and promote fair transactions, the Group implemented an open and transparent policy of selecting products and services suppliers. For example, when seek quotation, the Company will contact with at least three suppliers at the same time with the same requirements, and make competitive negotiation and price bidding as the same. In addition, in daily business, the Group also performs continuous training and assessment on the compliance of its merchandisers to the work standards set out on the management manual, procedural documents and ethical codes.

On the other hand, for upholding the principle of professionalism, the Group subcontracted some specialized works including important legal issues, compliance, security and cleaning, to professional third-party enterprises. These cooperating parties constitute key part of the Group's business chain. When chooses sub-contractors, what the Group mainly value includes service capabilities, service experience, personnel management skills and specialized equipment. The Group will assess sub-contractors' service performance in accordance with its own service standards so that identify and solve problems timely. Furthermore, the Group also adopted a series of measures, making ensure that the sub-contractors do not violate human rights or be not against the legitimate rights of workers.

In 2018, the Group engaged about 10 main professional service providers in Hong Kong and selected 5 main products suppliers in Mainland China.

## Protection of consumer interests

The Group places significant emphasis on customer satisfaction. To ensure that employees always pay attention to that and make great efforts to provide high quality products and services. Clients Satisfaction is regards as one of the key indicator for business assessment.

The Group strictly complies with all the national, regional and local laws and regulations. To avoid damage to the benefits of customers, the Group takes necessary measures, including protect the data privacy of customers. Through effective supervision mechanism, interests of customers can be really protected. At the same time, the Group trains its employees on a regular basis about customer interests protection knowledge, and reviews its internal control system frequently.

The Group respects Intellectual Property Rights ("IPR") of other parties and require its suppliers to ensure that all products and services would not infringe any third parties' IPR.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Anti-Corruption

The Group lists the Code of Conduct into the Employees Handbook, and makes a set of internal policies and measures in order to prevent corruption and deception, which are supervised and implemented by the Human Resources Department. The Human Resources Department is directly under the leadership of the Chief Executive Officer aim for maintaining a fair, open and transparent environment for business operations without corruption or deception.

Meanwhile, the Group clarified its determined stance on fighting against corruption and deception to all employees, suppliers and business partners. Appropriate binding terms have been introduced into the respective contracts so as to ensure the relevant parties acted under the Group's requirement. The Human Resources Department conducted separate supervision until the general mechanism is perfect.

In addition, when discover any suspicious behavior, employees could report to the relevant business department or (if necessary) to the Human Resources Department or management of the Group upon any suspicion of issues. The Group provides anonymous reporting channels for the sake of preventing corruption and deception.

The Group remains vigilant of corruption and deception and continues to explore more effective policies to constrain its staff and business partners. The Group will optimize its internal control system through continuous study and exploration. Special events will be held regularly to sum up and learn from experience.

## SOUND GOVERNANCE

### Accountability of Management

The Group consistently adheres to the high ethical standards that our shareholders, regulators and others expect of us and that we expect of ourselves. This includes clearly promoting sound governance and the right tone from the top, having in place strong leadership and management processes that properly incentivate appropriate behaviors.

Our senior management team develops the company's strategic direction and oversees its execution, while the Board of Directors is charged with providing oversight of management's performance.

Our Directors bring a strong combination of experience and expertise to their role. The Board has been engaged with management on the importance of strong corporate standards, working together to emphasize the company's commitment to doing things the right way.

Our annual report contains detailed information about the members of our Board, including the Director biographical information and the Board's role in risk management oversight.

### Independence of Board of Directors

Board independence is essential to effective governance. An independent Board serves the interests of shareholders by effectively carrying out its fundamental obligation of oversight of management. Three of our six Board members and each of the members of Audit Committee and Remuneration Committee are independent, and the majority of the Nomination Committee are independent, under the standards established by the Hong Kong Stock Exchange and the Group's independence standards.

For more information, please refer to the part of corporate governance in the annual report.

# INDEPENDENT AUDITORS' REPORT



## TO THE SHAREHOLDERS OF CHINA TRENDS HOLDINGS LIMITED

中國趨勢控股有限公司

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

## OPINION

We have audited the consolidated financial statements of China Trends Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 85, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# INDEPENDENT AUDITORS' REPORT

## INTANGIBLE ASSETS

Refer to Note 14 to the consolidated financial statements.

The Group tested the amount of intangible assets for impairment. This impairment test is significant to our audit because the intangible assets of HK\$15,000,000 as at 31 December 2018 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the competence, independence and integrity of the external valuer engaged by client;
- Obtaining the external valuation report and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;
- Checking key assumptions and input data in the valuation model to supporting evidence; and
- Checking arithmetical accuracy of the valuation model.

We consider that the Group's impairment test for intangible assets is supported by the available evidence.

## INVESTMENT IN AN ASSOCIATE

Refer to Note 15 to the consolidated financial statements.

The Group tested the amount of investment in an associate for impairment. This impairment test is significant to our audit because the balance of investment in an associate of HK\$23,431,000 as at 31 December 2018 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Evaluating the Group's impairment assessment;
- Assessing the financial information of the investment; and
- Obtaining and checking to evidence to support the Group's impairment assessment.

We consider that the Group's impairment test for investment in an associate is supported by the available evidence.

# INDEPENDENT AUDITORS' REPORT

## EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Refer to Note 16 to the consolidated financial statements.

The Group tested the amount of Equity investments at fair value through other comprehensive income for impairment. This impairment test is significant to our audit because the balance of Equity investments at fair value through other comprehensive income of HK\$22,800,000 as at 31 December 2018 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Evaluating the Group's impairment assessment;
- Assessing the financial information of the investments; and
- Obtaining and checking to evidence to support the Group's impairment assessment.

We consider that the Group's impairment test for equity investments at fair value through other comprehensive income is supported by the available evidence.

## TRADE RECEIVABLES

Refer to Note 18 to the consolidated financial statements.

The Group tested the amount of trade receivables for impairment. This impairment test is significant to our audit because the balance of trade receivables of HK\$35,009,000 as at 31 December 2018 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit limits and credit periods to customers;
- Assessing the Group's relationship and transaction history with the customers;
- Evaluating the Group's impairment assessment;
- Assessing ageing of the debts;
- Assessing creditworthiness of the customers;
- Checking subsequent settlements from the customers; and
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade receivables is supported by the available evidence.

# INDEPENDENT AUDITORS' REPORT

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

## RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at: <http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/>

This description forms part of our auditor's report.

### **ZHONGHUI ANDA CPA Limited**

*Certified Public Accountants*

#### **Fong Tak Ching**

Audit Engagement Director

Practising Certificate Number P06353

Hong Kong, 15 March 2019

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
<b>REVENUE</b>	6	<b>87,040</b>	80,935
Cost of sales		<b>(83,683)</b>	(77,650)
Gross profit		<b>3,357</b>	3,285
Other income	6	<b>4,836</b>	278
Share of losses of an associate		<b>(1,612)</b>	–
Administrative and other operating expenses		<b>(10,064)</b>	(11,830)
<b>Loss from operations</b>		<b>(3,483)</b>	(8,267)
Impairment loss on other receivables		<b>(1,870)</b>	–
<b>LOSS BEFORE TAX</b>	7	<b>(5,353)</b>	(8,267)
Income tax expenses	10	–	–
<b>LOSS FOR THE YEAR</b>		<b>(5,353)</b>	(8,267)
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>			
Item that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		<b>(2,722)</b>	4,109
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(8,075)</b>	(4,158)
<b>LOSS FOR THE YEAR ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>(5,406)</b>	(8,273)
Non-controlling interests		<b>53</b>	6
		<b>(5,353)</b>	(8,267)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>			
<b>ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>(8,128)</b>	(4,201)
Non-controlling interests		<b>53</b>	43
		<b>(8,075)</b>	(4,158)
<b>LOSS PER SHARE</b>	11		
Basic (HK cents per share)		<b>(0.01)</b>	(0.02)
Diluted (HK cents per share)		<b>N/A</b>	N/A



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	262	424
Intangible assets	14	15,000	22,781
Investment in an associate	15	23,431	–
Equity investments at fair value through other comprehensive income	16	22,800	22,800
		<hr/>	
Total non-current assets		61,493	46,005
<b>CURRENT ASSETS</b>			
Trade receivables	18	35,009	69,911
Prepayments, deposits and other receivables	19	1,568	3,347
Cash and bank balances	20	21,616	24,182
		<hr/>	
Total current assets		58,193	97,440
<b>CURRENT LIABILITIES</b>			
Trade payable	21	–	18,243
Other payables and accruals		2,250	896
Tax payable		285	123
		<hr/>	
Total current liabilities		2,535	19,262
		<hr/>	
<b>Net current assets</b>		55,658	78,178
		<hr/>	
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		117,151	124,183
		<hr/>	
<b>NET ASSETS</b>		117,151	124,183
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	22	427,161	427,161
Other reserves	24	(311,483)	(304,398)
		<hr/>	
		115,678	122,763
Non-controlling interests		1,473	1,420
		<hr/>	
<b>TOTAL EQUITY</b>		117,151	124,183
		<hr/> <hr/>	

Approved by:

**Xiang Xin**  
Director

**Chan Cheong Yee**  
Director

# 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 (Note 23)	-	-	(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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 HK\$'000	2017 HK\$'000
<b>Cash flows from operating activities</b>		
LOSS BEFORE TAX	(5,353)	(8,267)
Adjustments for:		
Interest income	(170)	(9)
Share of losses of an associate	1,612	–
Surcharge income from customers	(4,639)	–
Share Option expenses	1,039	–
Impairment loss on other receivables	1,870	–
Depreciation of property, plant and equipment	165	166
Operating cash flows before working capital changes	(5,476)	(8,110)
Change in trade receivables	20,748	(20,400)
Change in prepayments, deposits and other receivables	1,595	340
Change in trade payables	(18,704)	18,959
Change in other payables and accruals	(507)	559
Cash used in operations	(2,344)	(8,652)
Interest received	170	9
<b>Net cash flows used in operating activities</b>	(2,174)	(8,643)
<b>Cash flows investing activities</b>		
Purchase of property, plant and equipment	(20)	–
<b>Net cash flows used in investing activities</b>	(20)	–
<b>Cash flows from financing activities</b>		
Net proceeds from shares issued on exercise of warrants	–	75
<b>Net cash flows generated from financing activities</b>	–	75
<b>Net decrease in cash and cash equivalents</b>	(2,194)	(8,568)
Cash and cash equivalents at beginning of year	24,182	32,591
Effect of foreign exchange rate changes	(372)	159
<b>Cash and cash equivalents at end of year</b>	21,616	24,182
<b>Analysis of cash and cash equivalents</b>		
Bank and cash balances	21,616	24,182

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 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:

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention and are presented in Hong Kong dollars with all values rounding to the nearest thousand except otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements. The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

### Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets, except for investments and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### Related parties

A related party is a person or entity that is related to the Group.

- (A) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Company or of a parent of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Related parties *(Continued)*

(B) An entity is related to the Group (reporting entity) if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (A).
- (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	20%
Furniture and fixtures	20%
Office and computer equipments	25%
Motor vehicles	25%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

### Leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

### Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

### Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

- Financial assets at amortised cost; and
- Equity investments at fair value through other comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial assets *(Continued)*

#### (i) **Financial assets at amortised cost**

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

#### (ii) **Equity investments at fair value through other comprehensive income**

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Equity investments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the equity investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the equity investment revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

### **Loss allowances for expected credit losses**

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument (“lifetime expected credit losses”) for trade receivables or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

### Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

### Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

### Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

### Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Taxation** *(Continued)*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### **Revenue from contracts with customers**

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Other income

Interest income is recognised using the effective interest method.

### Employee benefits

#### (a) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (b) *Pension obligations*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK\$30,000 and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also participates in a defined contribution retirement scheme organised by the government in the People's Republic of China (the "PRC"). The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

#### (c) *Termination benefits*

Termination benefits are recognised at the earlier of the dates when the Company can no longer withdraw the offer of those benefits and when the Company recognises restructuring costs and involves the payment of termination benefits.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

### Foreign currency translation

#### (a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

#### (b) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss. Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined. When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

#### (c) *Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- (iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currency translation *(Continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

### Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

## 4. CRITICAL JUDGEMENTS AND ESTIMATES

### Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgement that have the most significant effect on the amounts recognised in the Group's financial statements.

### Equity investments at fair value through other comprehensive income

The cost of the equity investments at fair value through other comprehensive income approximate its fair value and is an appropriate estimate of fair value since there is insufficient more recent information available to measure fair value.

Note 16 describes that the investee company is not treated as an associate although the Company has 20% ownership interest in the investee company. In making their judgment, the directors of the Company considered the Group is not in a position to control or exercise any significant influence over the financial and operating policies of the investee company or to participate in its operations.

### Key estimate uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

### Impairment of intangible assets

The management of the Company assesses the possible impairment of the Group's intangible assets at end of each reporting period. At the end of the reporting period, the carrying value of intangible assets was approximately HK\$15,000,000 at the end of the reporting date. The Group is confident that the carrying amount of the asset will be recovered in full. This situation will be closely monitored, and adjustments made in future periods, if future market activity indicates that such adjustments are appropriate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 4. CRITICAL JUDGEMENTS AND ESTIMATES *(Continued)*

### Impairment loss recognised in respect of interests in an associate

Interest in an associate is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Value-in-use calculation is used for assessing the recoverable amount of this interest. This calculation requires use of judgments and estimates.

Management judgment is required for assessing impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related carrying value of interests may not be recoverable; and (ii) whether the carrying value of the interests can be supported by the recoverable amount. Changing the estimations used by management in assessing impairment could materially affect the recoverable amount used in the impairment test and as a result affect the Group's consolidated financial position and consolidated results of operations. At the end of the reporting period, the carrying value of interest in an associate was approximately HKD23,431,000 (2017:nil).

### Provision for impairment of receivables

The policy for the provision for impairment of receivables of the Group is based on the evaluation of collectibles and ageing analysis of accounts and on the management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer.

## 5. 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 5. OPERATING SEGMENT INFORMATION *(Continued)*

	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
<b>Segment revenue:</b>						
Sales to external customers	<b>87,040</b>	80,935	–	–	<b>87,040</b>	80,935
	<b>87,040</b>	80,935	–	–	<b>87,040</b>	80,935
<b>Segment results</b>	<b>5,287</b>	597	–	–	<b>5,287</b>	597
Reconciliation:						
Interest income					<b>170</b>	9
Unallocated expenses					<b>(10,810)</b>	(8,873)
Loss before tax					<b>(5,353)</b>	(8,267)
Income tax expenses					–	–
Loss for the year					<b>(5,353)</b>	(8,267)
<b>Other segment information:</b>						
Capital expenditure	<b>20</b>	–	<b>15,000</b>	–	<b>15,020</b>	–
Depreciation	<b>165</b>	166	–	–	<b>165</b>	166

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 5. OPERATING SEGMENT INFORMATION (Continued)

	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
<b>Segment assets</b>	<b>44,340</b>	87,938	<b>15,000</b>	22,781	<b>59,340</b>	110,719
Unallocated assets					<b>60,346</b>	32,726
Total assets					<b>119,686</b>	143,445
<b>Segment liabilities</b>	<b>159</b>	18,566	–	–	<b>159</b>	18,566
Unallocated liabilities					<b>2,376</b>	696
Total liabilities					<b>2,535</b>	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)	<b>87,040</b>	80,935
	<b>87,040</b>	80,935

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 5. OPERATING SEGMENT INFORMATION *(Continued)*

### Geographical information *(Continued)*

#### (b) *Non-current assets*

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

### Revenue from major customers

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

## 6. REVENUE, OTHER INCOME

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 6. REVENUE, OTHER INCOME *(Continued)*

### 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.

### Other income

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 7. LOSS BEFORE TAX

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

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

## 8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the GEM Listing Rules and the Hong Kong Companies Ordinance, is as follows:

	2018 HK\$'000	2017 HK\$'000
Fees	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	<b>244</b>	210
Share-based payment	<b>1,039</b>	–
Pension scheme contributions	–	–
	<b>1,283</b>	210
	<b>1,283</b>	210

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 8. DIRECTORS' REMUNERATION (Continued)

For the year ended 31 December 2018					
Notes	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share option benefits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors:					
Mr. Xiang Xin	-	60	-	-	60
Mr. Chan Cheong Yee	-	60	-	693	753
Mr. Yip Wing Ho (Note (a))	-	34	-	-	34
	-	154	-	693	828
Independent non-executive directors:					
Ms. An Jing	-	30	-	-	30
Mr. Chen Yicheng	-	30	-	-	30
Mr. Wong Chung Kin Quentin	-	30	-	346	376
	-	90	-	346	436
	-	244	-	1,039	1,283

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 8. DIRECTORS' REMUNERATION (Continued)

	For the year ended 31 December 2017					Total HK\$'000
	Notes	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Equity-settled share option benefits HK\$'000	
Executive directors:						
Mr. Xiang Xin		-	60	-	-	60
Mr. Chan Cheong Yee		-	60	-	-	60
		-	120	-	-	120
Independent non-executive directors:						
Ms. An Jing		-	30	-	-	30
Mr. Chen Yicheng		-	30	-	-	30
Mr. Wong Chung Kin Quentin		-	30	-	-	30
		-	90	-	-	90
		-	210	-	-	210

Notes:

(a) Appointed on 5 June 2018

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

No emolument was paid to the director as an inducement to join or upon joining the Company; or as compensation for loss of office during the reporting period (2017: Nil).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 9. FIVE HIGHEST PAID INDIVIDUALS

There were two Directors' emolument (2017: nil) included in the five highest paid employees during the year, details of whose remuneration are set out in note 8 above. Details of the remuneration of the three (2017: five) highest paid employees for the year ended 31 December 2018 are as follows:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Salaries, allowances and benefits in kind	<b>523</b>	905
Pension scheme contributions	<b>26</b>	45
	<b>549</b>	950

The number of non-directors, highest paid employees whose remuneration fell within the following bands is as follows:

	<b>Number of employees</b>	
	<b>2018</b>	2017
Emolument band:		
HK\$nil–HK\$1,000,000	<b>3</b>	5

## 10. 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:

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 10. INCOME TAX EXPENSES *(Continued)*

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.

## 11. 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>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
<b>Losses</b>		
Loss for the year attributable to owners of the Company, used in the basic loss per share calculation	<b>(5,406)</b>	(8,273)
<b>Number of shares ('000)</b>		
<b>Shares</b>	<b>2018</b>	2017
Weighted average number of ordinary shares in issue during the year used in basic loss per share calculation	<b>42,716,118</b>	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.

## 12. DIVIDENDS

The Directors do not recommend the payment of any dividend for the years ended 31 December 2018 (2017: nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 13. PROPERTY, PLANT AND EQUIPMENT

	Year ended 31 December 2018				
	Leasehold improvements	Furniture and fixtures	Office and computer equipments	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>					
At 1 January 2018	974	156	2,215	1,873	5,218
Additions	-	-	20	-	20
Exchange realignment	-	(1)	(158)	(95)	(254)
At 31 December 2018	974	155	2,077	1,778	4,984
<b>Accumulated depreciation</b>					
At 1 January 2018	974	156	1,955	1,709	4,794
Charge for the year	-	-	88	77	165
Exchange realignment	-	(1)	(70)	(166)	(237)
At 31 December 2018	974	155	1,973	1,620	4,722
<b>Carrying amount</b>					
At 31 December 2018	-	-	104	158	262
	Year ended 31 December 2017				
	Leasehold improvements	Furniture and fixtures	Office and computer equipments	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>					
At 1 January 2017	974	155	2,073	1,736	4,938
Exchange realignment	-	1	142	137	280
At 31 December 2017	974	156	2,215	1,873	5,218
<b>Accumulated depreciation</b>					
At 1 January 2017	974	155	1,788	1,470	4,387
Charge for the year	-	-	46	120	166
Exchange realignment	-	1	121	119	241
At 31 December 2017	974	156	1,955	1,709	4,794
<b>Carrying amount</b>					
At 31 December 2017	-	-	260	164	424

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 14. INTANGIBLE ASSETS

	Year ended 31 December 2018				
	Rights in sharing of profit streams from online network operation in internet cafes HK\$'000 (note (a))	Copyright of a film library HK\$'000 (note (b))	Rights granted by a mobile location-based service provider HK\$'000 (note (c))	Rights in using and distribution of contents copyrights on website HK\$'000 (note (d))	Total HK\$'000
<b>Cost</b>					
At 1 January 2018	482,794	25,000	19,485	–	527,279
Addition	–	–	–	15,000	15,000
Transfer to investment in an associate	–	(25,000)	–	–	(25,000)
AT 31 December 2018	482,794	–	19,485	15,000	517,279
<b>Accumulated amortisation and impairment losses</b>					
At 1 January 2018	482,794	2,219	19,485	–	504,498
Transfer to investment in an associate	–	(2,219)	–	–	(2,219)
AT 31 December 2018	482,794	–	19,485	–	502,279
<b>Carrying amount</b>					
At 31 December 2018	–	–	–	15,000	15,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 14. INTANGIBLE ASSETS (Continued)

	Year ended 31 December 2017			
	Rights in sharing of profit streams from online network operation in internet cafes HK\$'000 (note (a))	Copyright of a film library HK\$'000 (note (b))	Rights granted by a mobile location-based service provider HK\$'000 (note (c))	Total HK\$'000
<b>Cost</b>				
At 1 January 2017 and 31 December 2017	482,794	25,000	19,485	527,279
<b>Accumulated amortisation and impairment losses</b>				
At 1 January 2017 and 31 December 2017	482,794	2,219	19,485	504,498
<b>Carrying amount</b>				
At 31 December 2017	–	22,781	–	22,781

### Notes:

- (a) The rights (the "C Y Rights") in sharing of profit streams (the "Profit Streams") from online network operation in internet cafes of approximately HK\$482,794,000 represents the C Y Rights arising from a co-operation agreement (the "C Y Co-operation Agreement") entered into between a subsidiary of the Company and C Y Foundation Group Limited. Pursuant to the C Y Co-operation Agreement, the Group is entitled to participate in the co-operation and share the Profits Streams for a period of 15 years.

During the year ended 31 December 2011, the execution of the C Y Co-operation Agreement was interrupted. Due to the unpredictability of future profit streams, an impairment loss of the C Y Rights of approximately HK\$482,794,000 was recognised in the consolidated financial statements for the same reporting period.

- (b) Copyright of a film library (the "Copyright") of the Group represents the copyright of five series (a total of 321 episodes) and 16 education series of an animation named 神探威威貓 and the related music songs which was acquired during the year ended 31 December 2010, with an indefinite useful lives at a consideration of HK\$25,000,000. Impairment of HK\$2,219,000 has been provided as the fair value less costs of disposal is lower than its carrying amount at 31 December 2017. On 28 December 2017, Nopo International, a wholly-owned subsidiary of the Company, entered into the Agreement with Rich Group International (HK) Limited ("Rich Group"), 上海奉天實業有限公司 ("Shanghai Fengtian") and Ms. Zou Dongming, pursuant to which Nopo International and Rich Group had jointly established a new company in Hong Kong, and by which to invest and increase the share capital of Shanghai Fengtian. During the year ended 31 December 2018, Nopo International invested the sum of RMB22,000,000 including the Copyright with evaluation value of RMB20,500,000 and RMB1,500,000 in cash (included in "Other payables and accruals" at end of the reporting period) to acquire 25% shareholding of the associate.
- (c) The rights granted by a mobile location-based service provider (the "Agent Rights") to a subsidiary of the Company as an agent of the products of the mobile location-based services provider in the PRC and the sole franchised dealer in overseas market.

During the year ended 31 December 2011, the execution of the project was interrupted. Due to the unpredictability of future profit streams, an impairment loss of the Agent Rights of approximately HK\$19,485,000 was recognised in the consolidated financial statements for the same reporting period.

- (d) The rights of use and distribution rights of the "Viva Reading" content copyright of the website (the "Viva Reading Rights") were acquired during the year ended 31 December 2018, with an indefinite useful lives at a consideration of HK\$30,000,000. The fair value as at 31 December 2018 of the Viva Reading Rights has been valued by 江蘇天誠新元資產評估有限公司 under the revenue method. In accordance with the valuation report by the valuer, the recoverable amount of the Viva Reading Rights of HK\$15,000,000 has been determined on the basis of their value in use using discounted cash flow method (level 3 fair value measurements). The discount rate used was 17 per cent. 江蘇天誠新元資產評估有限公司 is an asset evaluation company approved by the State-owned Assets Administration Bureau of Jiangsu Province, a China CPV (certified public valuer) approved by China Appraisal Society, and has over 10 years of experience in asset valuation.

The remaining consideration of HK\$15,000,000 is disclosed as Capital Commitments in Note 26 to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 15 INVESTMENT IN AN ASSOCIATE

	2018 HK\$'000
Unlisted investments	
Share of net assets	<u>23,431</u>

The following list contains the particulars of the significant associate of the Group:

Name	Place of incorporation/ registration	Percentage of ownership interest	Nature of business
FengTian Capital Limited	Hong Kong	25%	Investment holding

During the year ended 31 December 2018, the Group has set up an associate named FengTian Capital Limited and its subsidiary 奉天匯富(中國)有限公司 (collectively referred to as the "FengTian Group") by transferring the Copyright of a film library with a consideration payable of RMB1,500,000.

The summarised consolidated financial information of the above-named associate is accounted for using equity method as follows:

	2018 HK\$'000
<b>At 31 December:</b>	
Non-current assets	100,170
Current asset	8,728
Non-current liabilities	-
Current liabilities	<u>(2,455)</u>
Net assets	<u>106,443</u>
Group's share of net assets	<u>23,431</u>
<b>Year ended 31 December</b>	
Revenue	-
Loss for the year	6,448
Other comprehensive loss	-
Total comprehensive loss	6,448
Dividends received from an associate	<u>-</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 16. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 HK\$'000	2017 HK\$'000
<i>Non-current assets</i>		
Unlisted equity investment, at cost — overseas	<b>22,800</b>	22,800

The investment is not treated as an associate because the Group is not in a position to exercise any significant influences over the financial and operating policies of this company or to participate in its operations. The cost of the equity investments at fair value through other comprehensive income approximate its fair value and is an appropriate estimate of fair value since there is insufficient more recent information available to measure fair value. It is designated as equity investments at fair value through other comprehensive income to reduce the volatility of profit or loss due to fair value changes.

Particulars of the equity investment at fair value through other comprehensive income of the Group as at 31 December 2017 and 2018 are as follows:

Name	Place of incorporation	Issued and paid up capital	Percentage of ownership interest	Principal activities
Full Smart Asia Limited	British Virgin Islands ("BVI")	100 ordinary shares of US\$1 each	20%	Investment holding

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 17. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries during the year are as follows:

Name	Place of incorporation/ registration and operations	Issued and paid up capital	Percentage of equity attributable to the Company	Principal activities
<b>Directly held:</b>				
Nopo International Limited ("Nopo International")	Hong Kong	HK\$10,000 ordinary share	100%	Investment holding
Boss Power Limited	Hong Kong	HK\$1,000,000 ordinary shares	100%	Inactive
Boss Education Limited	Hong Kong	HK\$1,000 ordinary shares	100%	Inactive
Boss Systems Limited	BVI	500 ordinary shares of US\$1 each	99%	Investment holding
China Trends Technologies Limited	Hong Kong	HK\$1 ordinary share	100%	Trading of electronic equipments, components and LCD/LED products
<b>Indirectly held:</b>				
Boss Dream (China) Limited* 博思夢想(中國)有限公司 ("Boss China") (Note a)	PRC	RMB200,000,000	99%	Trading of electronic equipments, components and LCD/LED products

\* The English names are for identification only

Notes:

(a) The subsidiary is registered as a sino-foreign investment enterprise under the PRC laws.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 18. 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.

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Trade receivables	<b>35,009</b>	69,911
Provision for loss allowance	-	-
Carrying amount	<b>35,009</b>	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 the trade receivables, based on the contract date, is as follows:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Within 30 days	-	19,042
31 to 60 days	<b>12,293</b>	-
61 to 90 days	<b>22,716</b>	12,757
Over 91 days	-	38,112
	<b>35,009</b>	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.

	<b>Current</b>	<b>Over 30 days past due</b>	<b>Over 60 days past due</b>	<b>Over 120 days past due</b>	<b>Total</b>
<b>At 31 December 2018</b>					
Weighted average expected loss rate	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
Receivable amount (HK\$'000)	<b>35,009</b>	-	-	-	<b>35,009</b>
Loss allowance (HK\$'000)	-	-	-	-	-
<b>At 31 December 2017</b>					
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)	-	-	-	-	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Prepayments	363	1,059
Deposit paid for acquisition of a subsidiary	3,000	3,000
Rental deposit (Note 28)	328	337
Other receivables	2,747	1,951
Less: Impairment loss recognised	(4,870)	(3,000)
	<b>1,568</b>	<b>3,347</b>

## 20. CASH AND BANK BALANCES

	2018 HK\$'000	2017 HK\$'000
Cash and bank balances	<b>21,616</b>	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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 21. TRADE PAYABLE

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Trade payable	–	18,243

An aged analysis of the trade payable as at the end of the reporting period based on the date of the receipt of goods, is as follows:

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Within 90 days	–	18,243

## 22. SHARE CAPITAL

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Authorised: 100,000,000,000 ordinary shares (2017: 100,000,000,000 ordinary shares) of HK\$0.01 each	<b>1,000,000</b>	1,000,000
Issued and fully paid: 42,716,118,022 ordinary shares of HK\$0.01 each (2017: 42,716,116,422 ordinary shares of HK\$0.01 each)	<b>427,161</b>	427,161

A summary of the movements in the issued share capital of the Company is as follows:

	<b>Number of shares '000</b>	<b>Amount HK\$'000</b>
At 1 January 2017	42,710,069	427,101
Issue of bonus shares ( <i>Note (a)</i> )	6,048	60
At 31 December 2017 and 1 January 2018	42,716,117	427,161
Exercise of bonus warrants ( <i>Note (a)</i> )	1	–
At 31 December 2018	42,716,118	427,161

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 22. SHARE CAPITAL (Continued)

Notes:

- (a) On 18 February 2016, the Board proposed the bonus warrants ("Bonus Warrant") issue to the qualifying shareholders on the basis of two (2) Bonus Warrants for every five (5) existing shares held on the record date ("Bonus Warrant Issue"). Each Bonus Warrant will entitle the holder thereof to subscribe in cash for one Bonus Warrant share at an initial subscription price of HK\$0.0125, subject to adjustment. The subscription rights attached to the Bonus Warrants will be exercisable from 29 March 2016, the date of issuance until the close of business on 28 March 2021. 8,159,911,432 Bonus Warrants will be issued pursuant to the Bonus Warrants Issue.

On 29 March 2016, the Board announced a total of 8,159,911,432 Bonus Warrants are to be issued by the Company to the shareholders pursuant to the Bonus Warrants Issue, represented by the bonus warrant certificates, conferring the subscription rights, being the rights in their registered form to the bonus warrant holders to subscribe in cash for 8,159,911,432 Shares at HK\$101,998,893 at the initial subscription price of HK\$0.0125 per bonus warrant share (subject to adjustments), during the subscription period (i.e. the five-year period from the date of issue of the Warrants, 29 March 2016 to 28 March 2021, both days inclusive). Any subscription rights which have not been exercised upon the expiry of the subscription period will lapse and the bonus warrant certificate(s) shall cease to be valid for any purpose whatsoever.

At 31 December 2018, the 6,283,350,568 (2017: 6,283,352,168) Bonus Warrants remained outstanding.

## 23. SHARE OPTION SCHEME

Pursuant to an extra-ordinary general meeting of all the shareholders passed on 1 November 2010, a share option scheme (the "Scheme") was adopted for the purpose of providing incentive to directors, employees and consultants. Unless otherwise cancelled or amended, the expiry date will be on 31 October 2020.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue, or if such 10% limit is refreshed, the maximum aggregate number of shares which may be issued upon the exercise of all outstanding options grant and yet to be exercised under the Scheme must not exceed 30% of the total number of shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then issue, without prior approval from the Company's shareholders. Each grant of options to any director, chief executive or substantial shareholder must be approved by independent non-executive directors. Where any grant of options to a substantial shareholder or any of their respective associates would result in the shares of the Company issued and to be issued upon exercise of options already granted and to be granted in excess of HK\$5,000,000 in the 12 month period up to the date of grant, then the grant must be approved in advance by the Company's shareholders.

On 4 April 2018, the Company granted 180,000,000 share options to certain of its Directors at the exercise price of HK\$0.025 per share and are vested and exercisable immediately. The closing share price at the date of grant on 4 April 2018 was HK\$0.01.

The fair values of the share options granted in 2018 were determined using the Binomial Tree Option Pricing Model. Significant inputs into the calculation included expected volatilities of 101.86%, estimated expected life of 10 years, risk-free interest rate of 1.83% and dividend yield of 0%. The Binomial Tree Option Pricing Model was developed for use in estimating the fair value of traded options and requires input of highly subjective assumptions, including the expected life and stock price volatility. Since the Company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimates, the Binomial Tree Option Pricing Model does not necessarily provide a reliable measure of the fair value of the share options.

The fair value of the share options granted in 2018, measured at the date of grant, were approximately HK\$1,039,000 (2017: HK\$nil). As the options are vested immediately, the amounts are recognized as share-based payment in profit or loss at the date of grant. An aggregate amount of approximately HK\$1,039,000 (2017: HK\$nil) has been charged as directors' remuneration during the year. The corresponding amount has been credited to the share option reserve.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 23. SHARE OPTION SCHEME (Continued)

All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

Details of the options granted under the Scheme and outstanding at 31 December 2018 and 2017 are as follows:

Grantee	Date of grant	Exercise period	Number of share options				Outstanding as at 31 December 2018	Exercise price per share option HK\$
			Outstanding as at 1 January 2018	Lapsed during the year	Granted during the year	Exercised during the year		
<b>Directors</b>								
Xiang Xin	6 July 2014	6 July 2014–5 July 2024	120,000,000	-	-	-	120,000,000	0.025
Sun Kuan Chi	6 July 2014	6 July 2014–5 July 2024	60,000,000	-	-	-	60,000,000	0.025
An Jing	6 July 2014	6 July 2014–5 July 2024	60,000,000	-	-	-	60,000,000	0.025
Chen Yicheng	6 July 2014	6 July 2014–5 July 2024	60,000,000	-	-	-	60,000,000	0.025
Zhong Keying	1 December 2014	1 December 2014–30 November 2024	39,000,000	-	-	-	39,000,000	0.025
Chan Cheong Yee	4 April 2018	4 April 2018–4 April 2018	-	-	120,000,000	-	120,000,000	0.025
			<b>339,000,000</b>	<b>-</b>	<b>120,000,000</b>	<b>-</b>	<b>459,000,000</b>	
<b>Independent non-executive directors</b>								
Wong Chung Kin Quentin	4 April 2018	4 April 2018–4 April 2018	-	-	60,000,000	-	60,000,000	0.025
			<b>-</b>	<b>-</b>	<b>60,000,000</b>	<b>-</b>	<b>60,000,000</b>	
<b>Others</b>								
	6 July 2014	6 July 2014–5 July 2024	688,000,000	-	-	-	688,000,000	0.025
			<b>1,027,000,000</b>	<b>-</b>	<b>180,000,000</b>	<b>-</b>	<b>1,207,000,000</b>	
Number of share options								
Grantee	Date of grant	Exercise period	Outstanding as at 1 January 2017	Lapsed during the year	Granted during the year	Exercised during the year	Outstanding as at 31 December 2017	Exercise price per share option HK\$
<b>Directors</b>								
Xiang Xin	6 July 2014	6 July 2014–5 July 2024	120,000,000	-	-	-	120,000,000	0.025
Sun Kuan Chi	6 July 2014	6 July 2014–5 July 2024	60,000,000	-	-	-	60,000,000	0.025
Zhang Zhan Liang (Note 1)	6 July 2014	6 July 2014–5 July 2024	60,000,000	(60,000,000)	-	-	-	0.025
An Jing	6 July 2014	6 July 2014–5 July 2024	60,000,000	-	-	-	60,000,000	0.025
Chen Yicheng	6 July 2014	6 July 2014–5 July 2024	60,000,000	-	-	-	60,000,000	0.025
Zhong Keying	1 December 2014	1 December 2014–30 November 2024	39,000,000	-	-	-	39,000,000	0.025
			399,000,000	(60,000,000)	-	-	339,000,000	
<b>Others</b>								
	6 July 2014	6 July 2014–5 July 2024	688,000,000	-	-	-	688,000,000	0.025
			<b>1,087,000,000</b>	<b>(60,000,000)</b>	<b>-</b>	<b>-</b>	<b>1,027,000,000</b>	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 23. SHARE OPTION SCHEME (Continued)

Notes:

- (1) Mr. Zhang Zhan Liang resigned as independent non-executive director on 11 November 2016. In accordance with the Scheme, he has the right to exercise the respective share options within a period of three months from the date of his resignation. As a result, 60,000,000 share options were lapsed during the year ended 31 December 2017.

There was no share option exercised during the year ended 31 December 2018 and 2017.

## 24. RESERVES

- (a) The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

### (b) Reserves of the Company

	Share premium account HK\$'000	Share option reserve HK\$'000	Special reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2017	298,050	10,135	14,879	(617,413)	(294,349)
Total comprehensive loss for the year	–	–	–	(8,955)	(8,955)
Exercise of bonus warrants	15	–	–	–	15
Lapsed share options (Note 23)	–	(726)	–	726	–
At 31 December 2017 and 1 January 2018	298,065	9,409	14,879	(625,642)	(303,289)
Total comprehensive loss for the year	–	–	–	(7,243)	(7,243)
Share-based payments	–	1,039	–	–	1,039
At 31 December 2018	298,065	10,448	14,879	(632,885)	(309,493)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 24. RESERVES (Continued)

### (c) Nature and purpose of reserves of the Group

#### (i) Special reserve

Special reserve represents the difference between the nominal value of shares issued by the Company as consideration and the underlying net assets of the then subsidiaries acquired pursuant to the group reorganisation in relation to the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited on 31 July 2002.

#### (ii) Capital reserve

The Company had made a capital contribution to a subsidiary but no equivalent capital was injected by the non-controlling interest. Capital reserve represents the difference between the capital injected by the Company and the adjustment of non-controlling interest.

#### (iii) Special reserve and Share premium account

Under section 34 of the Companies Law of the Cayman Islands, the special reserve and share premium account is available for distribution to shareholders subject to the provisions of the Articles of Association of the Company and no distribution may be paid to shareholders out of the special reserve and share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 26. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Intangible asset contracted but not provided for	<b>15,000</b>	–

## 27. CONTINGENT LIABILITIES

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 28. 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>2018</b> <b>HK\$'000</b>	2017 HK\$'000
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>990</b>	985
Rental deposit paid		<b>168</b>	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 19) 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 (note 19) in the consolidated statement of financial position.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 28. RELATED PARTY TRANSACTIONS (Continued)

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

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

Further details of directors' emoluments are included in note 8 to the consolidated financial statements.

## 29. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### Interest rate risk

The Group has no significant interest-bearing financial assets and liabilities with a floating interest rate. The Group's results and operating cash flows are substantially independent of changes in a market interest rate.

### Foreign currency risk

The Group has minimal foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities in United States Dollar ("USD"), Renminbi ("RMB") and Hong Kong dollar ("HKD"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

### Credit risk

The carrying amounts of the cash and bank balances and trade receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has concentration of credit risk as 100% (2017: 100%) of the trade receivables due from the Group's five largest customers.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer, by geographical region and by industry sector.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 29. FINANCIAL RISK MANAGEMENT *(Continued)*

### Credit risk *(Continued)*

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- external credit rating (if available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade loan receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

<b>Category</b>	<b>Definitions</b>	<b>Loss provision</b>
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 29. FINANCIAL RISK MANAGEMENT (Continued)

### Credit risk (Continued)

	Acquisition of a subsidiary HK\$'000	Others HK\$'000	Total HK\$'000
At 31 December 2018			
Deposits paid for	<b>3,000</b>	<b>1,870</b>	<b>4,870</b>
Provision for loss allowance	<b>(3,000)</b>	<b>(1,870)</b>	<b>(4,870)</b>
Carrying amounts	–	–	–
At 31 December 2017			
Deposits paid for	3,000	1,870	4,870
Provision for loss allowance	(3,000)	–	(3,000)
Carrying amounts	–	1,870	1,870

### Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

### Categories of financial instruments at 31 December 2018

	2018 HK\$'000	2017 HK\$'000
Financial assets:		
Equity investments at fair value through other comprehensive income	<b>22,800</b>	22,800
Financial assets at amortised cost (including cash and cash equivalents)	<b>57,830</b>	96,381
	<b>80,630</b>	119,181
Financial liabilities:		
Financial liabilities at amortised cost	<b>2,250</b>	19,139
	<b>2,250</b>	19,139

### Fair value

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 29. FINANCIAL RISK MANAGEMENT *(Continued)*

### Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes other payables and accruals, less cash and bank balances. Capital includes equity attributable to equity holders of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 30. SUMMARISED FINANCIAL POSITION OF THE COMPANY

	2018 HK\$'000	2017 HK\$'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	–	–
Intangible assets	15,000	22,781
Interests in subsidiaries	65,566	70,206
Equity investments at fair value through other comprehensive income	22,800	22,800
	<hr/>	<hr/>
Total non-current assets	103,366	115,787
<b>CURRENT ASSETS</b>		
Prepayments, deposits and other receivables	527	501
Cash and bank balances	14,151	8,474
	<hr/>	<hr/>
Total current assets	14,678	8,975
<b>CURRENT LIABILITIES</b>		
Other payables	376	890
	<hr/>	<hr/>
Total current liabilities	376	890
	<hr/>	<hr/>
<b>Net current assets</b>	14,302	8,085
	<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	117,668	123,872
	<hr/>	<hr/>
<b>NET ASSETS</b>	117,668	123,872
	<hr/>	<hr/>
EQUITY		
<b>Equity attributable to owners of the Company</b>		
Issued capital	427,161	427,161
Other reserves	(309,493)	(303,289)
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	117,668	123,872
	<hr/>	<hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## **31. EVENTS AFTER THE REPORTING PERIOD**

After the end of the reporting period, the Group and the Company did not have any significant non-adjusting events.

## **32. APPROVAL OF THE FINANCIAL STATEMENTS**

The consolidated financial statements were approved and authorised for issue by the board of directors on 15 March 2019.

# FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

## RESULTS

	Year ended 31 December				
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
REVENUE	<b>87,040</b>	80,935	90,047	116,496	56,540
Cost of sales	<b>(83,683)</b>	(77,650)	(86,559)	(112,961)	(54,106)
Gross profit	<b>3,357</b>	3,285	3,488	3,535	2,434
Other income and gains	<b>4,836</b>	278	1,324	208	171
Administrative and other operating expenses	<b>(10,064)</b>	(11,830)	(13,698)	(8,636)	(20,978)
Loss from operations	<b>(1,871)</b>	(8,267)	(8,886)	(4,893)	(18,373)
Impairment loss on intangible asset	-	-	(2,219)	-	-
Impairment loss on other receivable	-	-	(3,000)	-	-
LOSS BEFORE TAX	<b>(1,871)</b>	(8,267)	(14,105)	(4,893)	(18,373)
Income tax	-	-	-	-	-
LOSS FOR THE YEAR	<b>(1,871)</b>	(8,267)	(14,105)	(4,893)	(18,373)
Attributable to:					
Owners of the Company	<b>(5,406)</b>	(8,273)	(14,111)	(4,874)	(18,352)
Non-controlling interests	<b>53</b>	6	6	(19)	(21)
	<b>(5,353)</b>	(8,267)	(14,105)	(4,893)	(18,373)

## CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Total assets	<b>119,686</b>	143,445	128,603	124,932	124,758
Total liabilities	<b>(2,535)</b>	(19,262)	(337)	(3,907)	(476)
<b>Net assets</b>	<b>117,151</b>	124,183	128,266	121,025	124,282