



**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)



2016
Annual Report

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This 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

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

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

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

CHAIRMAN'S STATEMENT

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

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

FINANCIAL REVIEW

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

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

OPERATIONAL REVIEW

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

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

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

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

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

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

* For identification purpose only

CHAIRMAN'S STATEMENT

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

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

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

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

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

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

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

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

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

CHAIRMAN'S STATEMENT

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

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

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

OUTLOOK AND PROSPECT

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

Xiang Xin

Chairman and Chief Executive Officer

Hong Kong

14 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

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

CAPITAL STRUCTURE AND FLUCTUATION IN EXCHANGE

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

EMPLOYEES

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

CHARGE, CONTINGENT LIABILITIES AND COMMITMENTS

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

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

MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Xiang Xin (“Mr. Xiang”), aged 53, was the Chairman (“Chairman”) of the Board and chief executive officer (“Chief Executive Officer”) of the Company. Mr. Xiang has 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 53, 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 20 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, which are listed on the main board respectively, and also the executive director of Bingo Group Holdings Limited, a company listed on GEM. Mr. Chan is also an executive director of Alpha Returns Group PLC, an investment company listed on AIM of London Stock Exchange. Mr. Chan joined the Company on 14 February 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. An Jing (“Ms. An”), aged 45, 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 62, 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 45, holds a bachelor degree of Accounting and Financial Management and master degree in Internal Auditing Management. Mr. Wong is the fellow member of The Hong Kong Institute of Certified Public Accountants, Hong Kong Taxation Institute, the Association of Chartered Certified Accountants and The Society of Chinese Accountant & Auditors. Mr. Wong is the founder of Quentin Wong & Co. Certified Public Accountants (Practising). Mr. Wong is an independent non-executive director of China Investment Fund Co Ltd between 1 December 2011 and 17 May 2016 and an independent non-executive director of Value Convergence Holdings Limited since 5 March 2012 which is listed on the main board of The Stock Exchange of Hong Kong Limited respectively. Mr. Wong joined the Company on 4 November 2016.

ALTERNATE DIRECTOR

Ms. Kung Ching (“Ms. Kung”), aged 47, graduated from Nanjing University of Science and Technology and holds a MBA from the University of South Australia. Ms. Kung 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 2016.

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) the low carbon products applications. It mainly develops business of low-carbon digital solutions and provides media and e-commerce platforms and media advertising services.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2016 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 33 to 36.

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 74. 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 21 to the financial statements.

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

CONVERTIBLE BONDS

Details of movements in the Convertible Bonds of the Company during the year are set out in note 20 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 2016 are disclosed in note 26 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 23 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 35.88%. 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 47.84%.

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	
Ms. Zhong Keying	(Resigned on 8 July 2016)
Mr. Chan Cheong Yee	(Appointed on 14 February 2016)

Non-executive Directors:

Mr. Sun Kuan Chi	(Resigned on 8 July 2016)
Mr. Xin Luo Lin	(Appointed on 1 August 2015 and resigned on 6 May 2016)
Ms. Chen Jijiang	(Appointed on 2 February 2016 and resigned on 6 May 2016)
Ms. Jiang Linlin	(Appointed on 2 February 2016 and resigned on 6 May 2016)
Mr. Wang Wei (王璋)	(Appointed on 2 February 2016 and resigned on 8 April 2016)
Mr. Wang Wei (王巍)	(Appointed on 15 June 2015 and resigned on 2 February 2016)
Mr. Kuk Peter Z	(Resigned on 2 February 2016)
Mr. Ge Ming	(Resigned on 2 February 2016)

Independent non-executive Directors:

Mr. Zhang Zhan Liang	(Resigned on 4 November 2016)
Ms. An Jing	
Mr. Chen Yicheng	
Mr. Kwai Sze Kit	(Appointed on 2 April 2015 and resigned on 8 July 2016)
Mr. Wong Chung Kin, Quentin	(Appointed on 4 November 2016)

REPORT OF THE DIRECTORS

Alternate Directors:

Ms. Kung Ching

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 Ms. An Jing shall retire by rotation at the annual general meeting of the Company. Mr. Xiang Xin and Ms. 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. Wong Chung Kin Quentin shall retire at the general meeting of the Company. Wong Chung Kin Quentin, 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 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 26 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 26 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 2016, 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 <i>HK\$</i>	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%
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%

Save as disclosed above, as at 31 December 2016, 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.

REPORT OF THE DIRECTORS

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

As at 31 December 2016, 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	10,783,683,830 (L)	25.25%
China Technology Education Trust Association <i>(note 2)</i>	Interest of controlled corporation	10,783,683,830 (L)	25.25%
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%
Yu Bin <i>(note 3)</i>	Beneficial owner	988,160,000 (L)	2.31%
Chen Yingjiu <i>(note 3)</i>	Beneficial owner	602,400,000 (L)	1.41%
Zheng Yan <i>(note 3)</i>	Beneficial owner	807,520,000 (L)	1.36%
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%
Ruan Xiaoping (note 3)	29 March 2016	29 March 2016 to 28 March 2021	Beneficial owner	0.0125	300,000,000 (L)	0.70%
Yu Bin (note 3)	29 March 2016	29 March 2016 to 28 March 2021	Beneficial owner	0.0125	369,760,000 (L)	0.87%
Chen Yingjiu (note 3)	29 March 2016	29 March 2016 to 28 March 2021	Beneficial owner	0.0125	120,480,000 (L)	0.28%
Zheng Yan (note 3)	29 March 2016	29 March 2016 to 28 March 2021	Beneficial owner	0.0125	200,000,000 (L)	0.47%
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 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, Chen Yingjiu, Zheng Yan and Wang Jiajun are the parties acting in concert and each of them is interested in approximately 17.64% (including interest of shares, warrants and parties acting in concert) of the total issued share capital of the Company.
4. The approximately percentage of interests in the Company is calculated on the basis of 42,710,068,196 Shares in issue as at 31 December 2016.

Save as disclosed above and so far as is known to the Directors or chief executive of the Company, as at 31 December 2016, 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, there were 1,087,000,000 Shares available for issue under Share Option Scheme which represents approximately 2.55% of the issued share capital of the Company as at 31 December 2016. Details of Share Option Scheme and share options movements are set out in note 22 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 period, 1,870,511,038 units of bonus warrants has been exercised by warrant holders of the Company and 6,289,400,394 units of bonus warrants are outstanding as at 31 December 2016.

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

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report in page 16 to 21.

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, at least 25% of the Company's total issued share capital was held by the public throughout the year ended 31 December 2016.

AUDIT COMMITTEE

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

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

AUDITOR

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

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

ON BEHALF OF THE BOARD

Xiang Xin

Chairman and Chief Executive Officer

Hong Kong
14 March 2017

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

BOARD PRACTICES AND PROCEDURES

The Company was in compliance with the Board Practices and Procedures as set out in Rule 5.34 of the GEM Listing Rules throughout the year.

DIRECTORS' SECURITIES TRANSACTIONS

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

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
Independent non-executive Directors:	Mr. Wong Chung Kin, Quentin Ms. An Jing Mr. Chen Yicheng
Alternate Director:	Ms. Kung Ching

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.

CORPORATE GOVERNANCE 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	12/12
Mr. Chan Cheong Yee (Appointed on 14 February 2016)	11/11
Mr. Wang Wei (王璋) (Appointed on 2 February 2016 and resigned on 8 April 2016)	1/3
Ms. Chen Jaijing (Appointed on 2 February 2016 and resigned on 6 May 2016)	1/3
Ms. Jian Linlin (Appointed on 2 February 2016 and resigned on 6 May 2016)	1/3
Mr. Sun Kuan Chi (Resigned on 8 July 2016)	3/6
Ms. Zhong Keying (Resigned on 8 July 2016)	6/7
Mr. Xin Luo Lin (Appointed on 1 August 2015 and resigned on 6 May 2016)	1/5
Mr. Zhang Zhan Liang (Resigned on 4 November 2016)	5/9
Ms. An Jing	9/12
Mr. Chen Yicheng	8/12
Mr. Kwai Sze Kit (Appointed on 2 April 2015 and resigned on 8 July 2016)	4/6
Mr. Wong Chung Kin, Quentin (Appointed on 4 November 2016)	3/3
Mr. Wang Wei (王巍) (Appointed on 15 June 2015 and resigned on 2 February 2016)	0/1
Mr. Kuk Peter Z (Resigned on 2 February 2016)	0/1
Mr. Ge Ming (Resigned on 2 February 2016)	0/1

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.

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.

CORPORATE GOVERNANCE REPORT

EXECUTIVE COMMITTEE

An executive committee (the “Executive Committee”) was established by the Board on 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:

Directors	Number of attendance
Mr. Xiang Xin	2/2
Mr. Chan Cheong Yee (Appointed on 14 February 2016)	2/2
Ms. Zhong Keying (Resigned on 8 July 2016)	0/1

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.

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:

	Number of attendance
Mr. Zhang Zhan Liang (Resigned on 4 November 2016)	0/0
Ms. An Jing	0/0
Mr. Chen Yicheng	0/0
Mr. Kwai Sze Kit (Appointed on 2 April 2015 and resigned on 8 July 2016)	0/0
Mr. Wong Chung Kin, Quentin (Appointed on 4 November 2016)	0/0

Following the resignation of Mr. Zhang Zhan Liang and appointment of Mr. Wong Chung Kin, Quentin as independent non-executive Director on 4 November 2016, Mr. Wong Chung Kin, Quentin become Chairman of Remuneration Committee of the Company.

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.

CORPORATE GOVERNANCE REPORT

EXTERNAL AUDITORS

For the year ended 31 December 2016, the following external auditors, provided the following services to the Group:

HK\$'000

ZHONGHUI ANDA CPA Limited

Annual audit services	404
Other services	23
	427

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:

Number of attendance

Mr. Zhang Zhan Liang	(Resigned on 4 November 2016)	3/3
Ms. An Jing		4/4
Mr. Chen Yicheng		4/4
Mr. Kwai Sze Kit	(Appointed on 2 April 2015 and resigned on 8 July 2016)	2/2
Mr. Wong Chung Kin, Quentin	(Appointed on 4 November 2016)	1/1

Following the resignation of Mr. Zhang Zhan Liang and appointment of Mr. Wong Chung Kin, Quentin as independent non-executive Director on 4 November 2016, Mr. Wong Chung Kin, Quentin become Chairman of Audit Committee of the Company.

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.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

A nomination committee (the "Nomination Committee") was established by the Board on 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:

		Number of attendance
Mr. Zhang Zhan Liang	(Resigned on 4 November 2016)	1/1
Ms. An Jing		1/1
Mr. Xiang Xin		1/1
Mr. Wong Chung Kin, Quentin	(Appointed on 4 November 2016)	0/0

Following the resignation of Mr. Zhang Zhan Liang and appointment of Mr. Wong Chung Kin, Quentin as independent non-executive Director on 4 November 2016, Mr. Wong Chung Kin, Quentin become member of Nomination Committee of the Company.

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.

STRATEGIC COMMITTEE

The strategic committee (the "Strategic Committee") was established in August 2015 with terms of reference with terms of reference and abolished on 8 July 2016. The Strategic Committee comprise all non-executive Directors of the Company. The attendance of each member at the meetings during the year is set out as follows:

Name of Directors	Attendance
Mr. Sun Kuan Chi	0/0
Ms. Kuk Peter Z (<i>Chairman</i>)	0/0
Mr. Ge Ming	0/0
Mr. Wang Wei (王巍)	0/0
Mr. Xin Luo Lin	0/0
Ms. Chen Jiajing	0/0
Ms. Jiang Linlin	0/0
Mr. Wang Wei (王璋)	0/0

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

CORPORATE GOVERNANCE REPORT

The Strategic Committee is responsible for conducting researches and submits proposals to the Board concerning the long-term development strategic and material investment decision of the Group. The Strategic Committee has no specific number of meetings as set out in the terms of reference.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

China Trends Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in (i) trading of electronic technology and related products, and (ii) the low carbon products applications. The Group mainly develops business of low-carbon digital solutions and provides media and e-commerce platforms and media advertising services.

KEY ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES

As a trading company, the Group encounters and manages a range of 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
Friendly Environment	<ul style="list-style-type: none"> • Managing our Environmental Impact • Reducing Emissions • Sustainable Paper Use • Managing Information Technology Equipment • Environmental Data
Social Responsibility	<ul style="list-style-type: none"> • Employment • Health and Safety • Development and Training • Labour Standards • Supply Chain Management • Product Responsibility • Anticorruption
Sound Governance	<ul style="list-style-type: none"> • Accountability of Management • Independence of Board of Directors

FRIENDLY ENVIRONMENT

Managing our Environmental Impact

As a trading and investment corporation, our direct environmental impacts stem primarily from the operation of our office buildings. They are in Hong Kong and Beijing. Electricity Energy used and associated GHG emissions are the most significant environmental impacts of our facilities. The firm’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.

The Group encourages employees to use internet, email, phone call and conference call etc. to contact with our customers and suppliers instead of making business travel.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Reducing Emissions

Operating our facilities generates GHGs indirectly through electricity purchased to power our facilities.

In 2016, the Group took the following specific actions in electronic energy saving for high consumption equipment such as lighting, computer and central air-conditioning of the offices. The details are as follows:

1. Upon leaving his/her working area for more than 10 minutes, every employee is required to shut down his/her office lights.
2. After working hours, every employee is required to shut down his/her office computer, check and shut down air conditioners and lights to save energy.

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

Sustainable Paper Use

We think it is important to source 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 2016, 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 customers and employees to do so. We offer paperless billing options for customers and have implemented smart printing methods for employees. Last, 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 and use to 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

	Hong Kong Office	Beijing Office
Printing Paper Consumption (A4 Sheets)	17,000	1,600

Electronic Energy consumption data and Greenhouse Gas Emissions

	Electronic Energy Consumption(kWh)	Greenhouse Gas Emissions tCO ₂ e (Kg)
Hong Kong Office ¹	11,600	9,048
Beijing Office ²	4,400	4,968
Total	16,000	14,016

¹ Using the emission factor stated in the 2015 Sustainability Reports of The Hongkong Electric Co. Ltd., which is 0.78 CO₂e per electricity unit sold (kg/kWh).

² Using the emission factor stated in the 2015 China Regional Grid Baseline Emission Factor issued by the Response to Climate Change Division of China National Development and Reform Commission, which is 1.1291 CO₂e per electricity unit sold (kg/kWh) regarding Northeast Regional Power Grid.

SOCIAL RESPONSIBILITY

Employment

The Group has strictly complied with relevant standards and there was no material non-compliance event in 2016.

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.

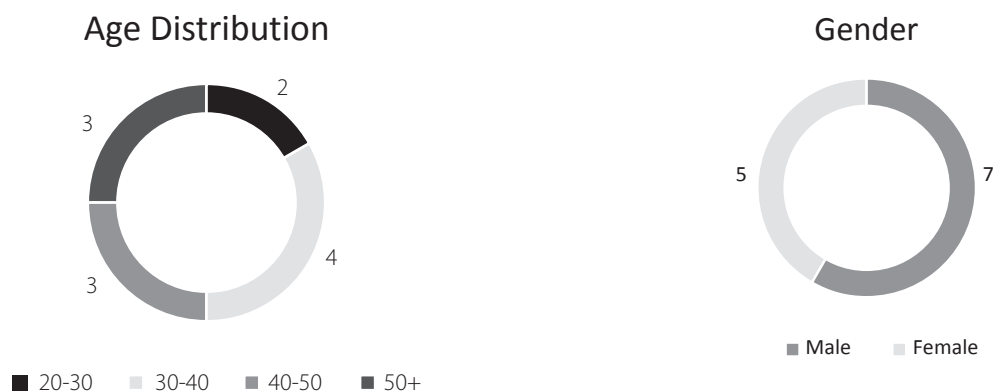
Workforce, Recruitment and Promotion

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 2016, the Group recruited talents mainly through third party online recruitment platforms which allowed effective sharing of information on candidates and enhanced recruitment efficiency.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As at 31 December 2016, the Group had a total of 12 staff. The charts below show the demographics of the Group's workforce as at 31 December 2016. Staff of the Group ranged in age from 20 to over 50, with the majority of around 58% aged between 30 and 50. The ratio of male to female is around 1.4:1 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.

Remuneration and Benefits

To reflect the 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 through 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. As a trading company, the Group has a low safety risk profile, but potential injury hazards from slips, trips and falls for staffs remain. The Group therefore gave great importance on the issue of health and safety.

There were no work-related fatalities in the Group in 2016.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 to monitor health and safety performance, and to report to the senior management of the Company on hazards 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 the accident, all subsidiaries will be informed after conducting investigation of the causes behind this accident 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 2016.

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 2016 covering all important aspects of the business of the Group. Nearly 100% of all employees had joined in the weekly internal trainings in 2016.

In 2016, 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 has been upholding core principles featuring 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 sourcing 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. Seek quotation from at least three suppliers at the same time with the same requirements, make competitive negotiation and price bidding. 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, upholding the principle of professionalism, the Group subcontracted specialized works including important legal issues, compliance, security and cleaning to specialized third party enterprises. These collaborating parties constitute key part of the Group's business chain. The Group's main consideration when choosing sub-contractors includes service capabilities, service experience, personnel management skills and specialized equipment. The Group will assess their service performance in accordance with its own service standards to timely detect and solve problems. Furthermore, the Group also adopted a series of measures to ensure that the sub-contractors shall not violate human rights and be against the legitimate rights of workers.

In 2016, we 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 placed significant emphasis on customer satisfaction. To ensure that employees always pay attention to satisfaction and provide quality products and services. Satisfaction was one of the key indicator for business assessment.

The Group strictly complied with the national and local laws and regulations and adopts measures to prevent damage to the interests of customers, including protecting the data privacy of customers. Through effective supervision mechanism, the Group ensures the protection of the interests of customers. At the same time, the Group trains its employees on a regular basis about customer interests protection knowledge, and reviews its internal control system, to make sure that it is very important in protecting the interests of customers.

The Group respects intellectual property rights (IPR) of other parties and requires our suppliers to ensure that all products and services would not infringe any third parties' IPR.

Anti-Corruption

The Group has put in place Code of Conduct in the Employees Handbook and a set of internal policies and measures 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 to maintain a fair, open and transparent environment for business operations with zero tolerance towards corruption and deception.

At the same time, 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 accordingly to the respective contracts to ensure the relevant parties acted under the Group's requirement. The Human Resources Department conducted separate supervision to procure improvement of the general mechanism.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition, employees could report to relevant business unit 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 incents 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 five 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 33 to 73, which comprise the consolidated statement of financial position as at 31 December 2016, 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 2016, 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 ("HKSAs") 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\$22,781,000 as at 31 December 2016 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.

AVAILABLE-FOR-SALE INVESTMENT

Refer to Note 15 to the consolidated financial statements.

The Group tested the amount of available-for-sale investment for impairment. This impairment test is significant to our audit because the balance of available-for-sale investment of HK\$22,800,000 as at 31 December 2016 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 available-for-sale investment is supported by the available evidence.

INDEPENDENT AUDITORS' REPORT

TRADE RECEIVABLES

Refer to Note 17 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\$46,389,000 as at 31 December 2016 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;
- 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.

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 do 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 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.

INDEPENDENT AUDITORS' REPORT

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, 14 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
REVENUE	6	90,047	116,496
Cost of sales		(86,559)	(112,961)
Gross profit		3,488	3,535
Other income and gains	6	1,324	208
Administrative and other operating expenses		(13,698)	(8,636)
Loss from operations		(8,886)	(4,893)
Impairment loss on intangible asset		(2,219)	–
Impairment loss on other receivables		(3,000)	–
LOSS BEFORE TAX	7	(14,105)	(4,893)
Income tax expenses	10	–	–
LOSS FOR THE YEAR		(14,105)	(4,893)
OTHER COMPREHENSIVE LOSS			
Item that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(3,037)	(3,364)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(17,142)	(8,257)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		(14,111)	(4,874)
Non-controlling interests		6	(19)
		(14,105)	(4,893)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR			
ATTRIBUTABLE TO:			
Owners of the Company		(17,117)	(8,205)
Non-controlling interests		(25)	(52)
		(17,142)	(8,257)
LOSS PER SHARE	11		(Restated)
Basic (HK cents per share)		(0.03)	(0.04)
Diluted (HK cents per share)		N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS at 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	551	805
Intangible assets	14	22,781	25,000
Available-for-sale investment	15	22,800	22,800
		<hr/>	
Total non-current assets		46,132	48,605
		<hr/>	
CURRENT ASSETS			
Trade receivables	17	46,389	64,989
Prepayments, deposits and other receivables	18	3,491	5,867
Cash and bank balances	19	32,591	5,471
		<hr/>	
Total current assets		82,471	76,327
		<hr/>	
CURRENT LIABILITIES			
Other payables and accruals		337	3,907
		<hr/>	
Total current liabilities		337	3,907
		<hr/>	
Net current assets		82,134	72,420
		<hr/>	
TOTAL ASSETS LESS CURRENT LIABILITIES		128,266	121,025
		<hr/>	
NET ASSETS		128,266	121,025
		<hr/> <hr/>	
EQUITY			
Equity attributable to owners of the Company			
Issued capital	21	427,101	203,998
Equity component of convertible bonds	20	-	-
Other reserves	23(a)	(300,212)	(84,375)
		<hr/>	
		126,889	119,623
Non-controlling interests		1,377	1,402
		<hr/>	
TOTAL EQUITY		128,266	121,025
		<hr/> <hr/>	

Approved by:

Xiang Xin
Director

Chan Cheong Yee
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company										
	Issued capital	Share premium account	Share option reserve	Foreign currency translation reserve	Equity component of convertible bonds	Special reserve	Capital reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015	66,350	235,563	12,456	3,968	391,534	11,157	(1,638)	(596,562)	122,828	1,454	124,282
Total comprehensive loss for the year	-	-	-	(3,331)	-	-	-	(4,874)	(8,205)	(52)	(8,257)
Exercise of share options	1,000	5,934	(1,934)	-	-	-	-	-	5,000	-	5,000
Conversion of convertible bonds into shares (Note 20)	136,648	254,886	-	-	(391,534)	-	-	-	-	-	-
At 31 December 2015 and 1 January 2016	203,998	496,383	10,522	637	-	11,157	(1,638)	(601,436)	119,623	1,402	121,025
Total comprehensive loss for the year	-	-	-	(3,006)	-	-	-	(14,111)	(17,117)	(25)	(17,142)
Exercise of share options	400	987	(387)	-	-	-	-	-	1,000	-	1,000
Exercise of bonus warrants	18,705	4,678	-	-	-	-	-	-	23,383	-	23,383
Bonus issue (Note 21(a))	203,998	(203,998)	-	-	-	-	-	-	-	-	-
At 31 December 2016	427,101	298,050	10,135	(2,365)	-	11,157	(1,638)	(615,547)	126,889	1,377	128,266

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 HK\$'000	2015 HK\$'000
Cash flows from operating activities		
LOSS BEFORE TAX	(14,105)	(4,893)
Adjustments for:		
Interest income	(283)	(101)
Impairment loss on intangible asset	2,219	–
Impairment loss on other receivables	3,000	–
Depreciation of property, plant and equipment	419	254
Operating cash flows before working capital changes	(8,750)	(4,740)
Change in trade receivables	15,663	(55,070)
Change in prepayments, deposits and other receivables	(759)	49,701
Change in other payables and accruals	(3,570)	3,431
Cash generated/(used) in operations	2,584	(6,678)
Interest received	283	101
Net cash flows generated/(used in) from operating activities	2,867	(6,577)
Cash flows from investing activities		
Purchase of property, plant and equipment	(59)	(2)
Net cash flows used in investing activities	(59)	(2)
Cash flows from financing activities		
Net proceeds from shares issued on exercise of warrants	23,383	–
Net proceeds from exercise of share options	1,000	5,000
Net cash flows generated from financing activities	24,383	5,000
Net increase/(decrease) in cash and cash equivalents	27,191	(1,579)
Cash and cash equivalents at beginning of year	5,471	7,485
Effect of foreign exchange rate changes	(71)	(435)
Cash and cash equivalents at end of year	32,591	5,471
Analysis of cash and cash equivalents		
Bank and cash balances	32,591	5,471

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. CORPORATE INFORMATION

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

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

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

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

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

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

3. 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 Growth Enterprise Market 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 2016

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 2016

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 2016

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 and the cumulative gain or loss that had been recognised in other comprehensive income 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.

Investments

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

Financial assets at fair value through profit or loss are either investments held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments *(Continued)*

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale investments are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale investments are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

Impairment losses on unquoted equity instruments that are not carried at fair value because their fair values cannot be reliably measured, or on derivative assets that are linked to and must be settled by delivery of such unquoted equity instruments are not reversed.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Other payables

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

- (a) Revenues from sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers; and
- (b) Interest income is recognised on a time-proportion basis 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(b) Pension obligations *(Continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(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.

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 financial statements when material.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Available-for-sale investment

The available-for-sale investment is measured at cost less impairment loss because it does not have a quoted market price in an active market. The directors of the Company are of the opinion that its fair value cannot be reliably measured and hence such unquoted equity investment is measured at cost less impairment losses at the end of the reporting period.

Note 15 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation 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\$22,781,000 after an impairment loss of HK\$2,219,000 is recognised during the year. 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.

Impairment of available-for-sale investments

The management of the Company assesses the possible impairment of the Group's available-for-sale investments at end of each reporting period.

At the end of the reporting period, the carrying value of available-for-sale investments were approximately HK\$22,800,000 (2015: approximately HK\$22,800,000). This situation will be closely monitored, and adjustments made in future periods, if future market activity indicates that such adjustments are appropriate.

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 2016 were mainly derived from its operating segment of trading of electronic technology and related products. For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segment as follows:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

5. OPERATING SEGMENT INFORMATION *(Continued)*

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

5. OPERATING SEGMENT INFORMATION *(Continued)*

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

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

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

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

Geographical information

(a) Revenue from external customers

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

5. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

(b) Non-current assets

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

Revenue from major customers

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

6. REVENUE, OTHER INCOME AND GAINS

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

7. LOSS BEFORE TAX

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

	2016	2015
	HK\$'000	HK\$'000
Cost of sales	86,559	112,961
Auditors' remuneration		
— Annual audit	404	321
— Other services	23	15
Total auditors' remuneration	427	336
Employee benefits expenses (including directors' remuneration):		
— Wages, salaries and allowances	1,498	1,664
— Other benefits in kind	109	37
— Pension scheme contributions	49	40
Total employee benefits expenses	1,656	1,741
Depreciation	419	254
Impairment loss on other receivables	3,000	–
Impairment loss on intangible asset	2,219	–
Minimum lease payments under operating leases, land and buildings	1,570	1,924
Net exchange losses	96	148

8. DIRECTORS' REMUNERATION

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

	2016	2015
	HK\$'000	HK\$'000
Fees	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	292	427
Share-based payment	–	–
Pension scheme contributions	–	–
	292	427
	292	427

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

8. DIRECTORS' REMUNERATION (Continued)

		For the year ended 31 December 2016				
		Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share option benefits	Total
Notes		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors:						
		-	60	-	-	60
		-	-	-	-	-
		-	-	-	-	-
	(k)	-	31	-	-	31
	(c)	-	7	-	-	7
		-	-	-	-	-
		-	-	-	-	-
	(b)	-	53	-	-	53
		-	151	-	-	151
Non-executive directors:						
	(e)	-	3	-	-	3
	(m)	-	16	-	-	16
	(f)	-	3	-	-	3
	(g)	-	3	-	-	3
	(h)	-	10	-	-	10
	(l)	-	-	-	-	-
	(l)	-	-	-	-	-
	(j)	-	-	-	-	-
		-	35	-	-	35
Independent non-executive directors:						
	(n)	-	25	-	-	25
		-	30	-	-	30
		-	30	-	-	30
	(i)	-	16	-	-	16
	(o)	-	5	-	-	5
		-	106	-	-	106
		-	292	-	-	292

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

8. DIRECTORS' REMUNERATION (Continued)

						For the year ended 31 December 2015				
						Salaries, allowances and benefits	Pension scheme contributions	Equity-settled share option benefits	Total	
						Fees HK\$'000	in kind HK\$'000	HK\$'000	HK\$'000	HK\$'000
						Notes				
Executive directors:										
Mr. Xiang Xin						–	60	–	–	60
Mr. Liang Xiaojin	(a)					–	28	–	–	28
Mr. Chen Banyan	(a)					–	28	–	–	28
Ms. Zhong Keying						–	60	–	–	60
Mr. Wang Jianjun						–	34	–	–	34
Mr. Tsui Yiu Ming	(d)					–	6	–	–	6
Mr. Shing Pan Yu	(d)					–	6	–	–	6
						–	222	–	–	222
Non-executive directors:										
Mr. Kuk Peter Z						–	17	–	–	17
Mr. Sun Kuan Chi						–	30	–	–	30
Mr. Ge Ming						–	17	–	–	17
Mr. Wang Wei						–	16	–	–	16
Mr. Xin Luo Lin						–	13	–	–	13
						–	93	–	–	93
Independent non-executive directors:										
Mr. Zhang Zhan Liang						–	30	–	–	30
Ms. An Jing						–	30	–	–	30
Mr. Chen Yicheng						–	30	–	–	30
Mr. Kwai Sze Kit						–	22	–	–	22
						–	112	–	–	112
						–	427	–	–	427

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

8. DIRECTORS' REMUNERATION (Continued)

Notes:

- (a) Resigned on 15 June 2015
- (b) Appointed on 14 February 2016
- (c) Appointed on 4 June 2015 and resigned on 14 February 2016
- (d) Appointed on 1 April 2015 and resigned on 7 May 2015
- (e) Appointed on 4 June 2015 and resigned on 2 February 2016
- (f) Appointed on 8 June 2015 and resigned on 2 February 2016
- (g) Appointed on 15 June 2015 and resigned on 2 February 2016
- (h) Appointed on 1 August 2015 and resigned on 6 May 2016
- (i) Appointed on 2 April 2015 and resigned on 8 July 2016
- (j) Appointed on 2 February 2016 and resigned on 8 April 2016
- (k) Resigned on 8 July 2016
- (l) Appointed on 2 February 2016 and resigned on 6 May 2016
- (m) Resigned on 8 July 2016
- (n) Resigned on 11 November 2016
- (o) Appointed on 4 November 2016

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 (2015: Nil).

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid staff during the year (2015: included one director). Details of the remuneration of the five (2015: remaining four) highest paid employees for the year ended 31 December 2016 are as follows:

	2016	2015
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	750	836
Pension scheme contributions	44	30
	794	866

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

	Number of employees	
	2016	2015
Emolument band:		
HK\$nil–HK\$1,000,000	5	4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

10. INCOME TAX EXPENSES

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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:

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

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

12. DIVIDENDS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

13. PROPERTY, PLANT AND EQUIPMENT

	Year ended 31 December 2016				
	Leasehold improvements HK'000	Furniture and fixtures HK'000	Office and computer equipments HK'000	Motor vehicles HK'000	Total HK'000
Cost					
At 1 January 2016	974	156	2,084	1,831	5,045
Additions	-	-	54	5	59
Exchange realignment	-	(1)	(65)	(100)	(166)
At 31 December 2016	974	155	2,073	1,736	4,938
Accumulated depreciation					
At 1 January 2016	964	155	1,601	1,520	4,240
Charge for the year	10	1	244	164	419
Exchange realignment	-	(1)	(57)	(214)	(272)
At 31 December 2016	974	155	1,788	1,470	4,387
Carrying amount					
At 31 December 2016	-	-	285	266	551
	Year ended 31 December 2015				
	Leasehold improvements HK'000	Furniture and fixtures HK'000	Office and computer equipments HK'000	Motor vehicles HK'000	Total HK'000
Cost					
At 1 January 2015	974	157	2,199	1,943	5,273
Additions	-	-	2	-	2
Exchange realignment	-	(1)	(117)	(112)	(230)
At 31 December 2015	974	156	2,084	1,831	5,045
Accumulated depreciation					
At 1 January 2015	937	155	1,642	1,429	4,163
Charge for the year	27	1	53	173	254
Exchange realignment	-	(1)	(94)	(82)	(177)
At 31 December 2015	964	155	1,601	1,520	4,240
Carrying amount					
At 31 December 2015	10	1	483	311	805

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

14. INTANGIBLE ASSETS

	Year ended 31 December 2016			Total HK\$'000
	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))	
Cost				
At 1 January 2016 and 31 December 2016	482,794	25,000	19,485	527,279
Accumulated amortisation and impairment losses				
At 1 January 2016	482,794	–	19,485	502,279
Impairment	–	2,219	–	2,219
At 31 December 2016	482,794	2,219	19,485	504,498
Carrying amount				
At 31 December 2016	–	22,781	–	22,781
	Year ended 31 December 2015			Total HK\$'000
	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))	
Cost				
At 1 January 2015 and 31 December 2015	482,794	25,000	19,485	527,279
Accumulated amortisation and impairment losses				
At 1 January 2015 and 31 December 2015	482,794	–	19,485	502,279
Carrying amount				
At 31 December 2015	–	25,000	–	25,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

14. INTANGIBLE ASSETS (Continued)

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. The fair value as at 31 December 2016 of the Copyright has been valued by 江蘇天誠新元資產評估有限公司 under the cost method. Impairment of HK\$2,219,000 (2015: nil) has been provided as the fair value less costs of disposal is lower than its carrying amount at the end of the reporting period.

With reference to the note 5 to the consolidated financial statements, the business derived from Copyright of the film library of the Group was not yet developed and its operating data such as operating cost was un-predictable, the Group determines the cost methodology (Level 2 fair value measurement) was the best method as a result. In accordance with the valuation report and research by valuer, the replacement cost was determined by reference to the production cost per minutes of grade C animation film in PRC as approximately RMB11,000 (2015: RMB 10,000), (production cost per minutes of grade A to grade D animation film in PRC ranged from RMB33,000 to RMB7,000 in approximate) while the discount rate was adopted as 5% per annum.

In determining the fair value less costs of disposal, the directors had based on the assumptions that there will be no material change in existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of the Company.

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 have over 10 years of experience in asset valuation.

- (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

15. AVAILABLE-FOR-SALE INVESTMENT

	2016 HK\$'000	2015 HK\$'000
<i>Non-current assets</i>		
Unlisted equity investment, at cost — overseas	22,800	22,800

The total consideration for the acquisition of an investment of HK\$22,800,000 made by the Group in 2011 had been turned into 20% of the equity interest in Full Smart Asia Limited on 1 January 2012, and a right to acquire the remaining 80% of the equity interest in Full Smart before 1 January 2015 (the "Option"). The Company did not exercise the right to acquire the remaining equity interest and the Option is lapsed on 1 January 2015.

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 unlisted investment is stated at cost as the investment and the Option do not have a quoted market price in an active market and their fair values cannot be reliably measured.

Particulars of the available-for-sale investment of the Group as at 31 December 2015 and 2016 are as follows:

Name	Place of incorporation	Issued and paid up capital	Percentage of ownership interest	Principal activities
Full Smart Asia Limited ("Full Smart")	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 2016

16. 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
Directly held:				
Friendly Group Limited	BVI	100 ordinary shares of US\$1 each	100%	Investment holding
Legend Century Investments Limited	BVI	1 ordinary share of US\$1 each	100%	Investment holding
Nopo International Limited	Hong Kong	HK\$10,000 ordinary share	100%	Inactive
Indirectly held:				
China Trends Technologies Limited	Hong Kong	HK\$1 ordinary share	100%	Trading of electronic equipments, components and LCD/LED products
China Net-PC Limited	BVI	50,000,000 ordinary shares of US\$0.01 each	100%	Investment holding
Boss Systems Limited	BVI	500 ordinary shares of US\$1 each	99%	Investment holding
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
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

* 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 2016

17. TRADE RECEIVABLES

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

	2016	2015
	HK\$'000	HK\$'000
Trade receivables	46,389	64,989
Less: impairments	–	–
	46,389	64,989

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Prepayments	907	377
Deposit paid for acquisition of a subsidiary	3,000	3,000
Provision for impairment on deposit paid for acquisition of a subsidiary	(3,000)	–
Rental deposit (<i>Note 26</i>)	260	160
Other receivables	2,324	2,330
	3,491	5,867

19. CASH AND BANK BALANCES

	2016 HK\$'000	2015 HK\$'000
Cash and bank balances	32,591	5,471

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

20. CONVERTIBLE BONDS

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

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

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

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

During the year ended 31 December 2015, the balance of these convertible bonds has been converted into ordinary shares of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

21. SHARE CAPITAL

	2016 HK\$'000	2015 HK\$'000
Authorised:		
100,000,000,000 ordinary shares (2015: 30,000,000,000 ordinary shares) of HK\$0.01 each	1,000,000	300,000

On 7 March 2016, the Board announced the proposed increase in authorised share capital by the creation of an additional 70,000,000,000 new shares.

Issued and fully paid:

42,710,068,196 ordinary shares of HK\$0.01 each (20,399,778,579 ordinary shares of HK\$0.01 each)	427,101	203,998
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A summary of the movements in the issued share capital of the Company is as follows:

	Number of shares '000	Amount HK\$'000
At 1 January 2015	6,635,002	66,350
Conversion of convertibles bonds into share (Note 20)	13,664,777	136,648
Exercise of share options (Note 22)	100,000	1,000
At 31 December 2015 and 1 January 2016	20,399,779	203,998
Exercise of share options (Note 22)	40,000	400
Issue of bonds shares (Note (a))	20,399,779	203,998
Exercise of bonus warrants (Note (b))	1,870,511	18,705
At 31 December 2016	42,710,069	427,101

Notes:

- (a) On 24 March 2016, the Board announced the Bonus Shares Issue was completed on 24 March 2016 and a total of 20,399,778,579 bonus shares were issued under the Bonus Shares Issue on the basis of one (1) bonus share for every one (1) existing share held by the qualifying shareholders on the record date.
- (b) 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. The 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 2016, the 6,289,400,394 Bonus Warrants remained outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

22. 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.

Details of the options granted under the Scheme and outstanding at 31 December 2016 and 2015 are as follows:

Grantee	Date of grant	Exercise period	Number of share options				Exercise price per share option (Note 2) HK\$	
			Outstanding as at 1 January 2016	Adjusted upon bonus issue as at 24 March 2016 (Note 1)	Granted during the year	Exercised during the year		Outstanding as at 31 December 2016
Directors								
Xiang Xin	6 July 2014	6 July 2014–5 July 2024	60,000,000	60,000,000	-	-	120,000,000	0.025
Sun Kuan Chi	6 July 2014	6 July 2014–5 July 2024	30,000,000	30,000,000	-	-	60,000,000	0.025
Zhang Zhan Liang	6 July 2014	6 July 2014–5 July 2024	30,000,000	30,000,000	-	-	60,000,000	0.025
An Jing	6 July 2014	6 July 2014–5 July 2024	30,000,000	30,000,000	-	-	60,000,000	0.025
Chen Yicheng	6 July 2014	6 July 2014–5 July 2024	30,000,000	30,000,000	-	-	60,000,000	0.025
Zhong Keying	1 December 2014	1 December 2014–30 November 2024	19,500,000	19,500,000	-	-	39,000,000	0.025
			199,500,000	199,500,000	-	-	399,000,000	
Others	6 July 2014	6 July 2014–5 July 2024	364,000,000	364,000,000	-	(40,000,000)	688,000,000	0.025
			563,500,000	563,500,000	-	(40,000,000)	1,087,000,000	

The weighted average share price at the date of exercise for share options exercised during the year was HK\$0.025 (Note 2).

40,000,000 share options exercised during the year ended 31 December 2016 was exercise price of HK\$0.025 at exercise date 26 May 2016.

Notes:

- (1) On 24 March 2016, the Board announced the Bonus Shares Issue was completed on 24 March 2016 and a total of 20,399,778,579 bonus shares were issued under the Bonus Shares Issue on the basis of one (1) bonus share for every one (1) existing share held by the qualifying shareholders on the record date.
- (2) Exercise price per share option have been adjusted from HK\$0.05 to HK\$0.025 due to bonus shares being issued with effect from 24 March 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

22. SHARE OPTION SCHEME (Continued)

Grantee	Date of grant	Exercise period	Number of share options				Outstanding as at 31 December 2015	Exercise price per share option HK\$
			Outstanding as at 1 January 2015	Expired during the year	Granted during the year	Exercised during the year		
Directors								
Xiang Xin	6 July 2014	6 July 2014–5 July 2024	60,000,000	–	–	–	60,000,000	0.05
Liang Xiaojin	6 July 2014	6 July 2014–5 July 2024	30,000,000	–	–	(30,000,000)	–	0.05
Chen Banyan	6 July 2014	6 July 2014–5 July 2024	30,000,000	–	–	(30,000,000)	–	0.05
Sun Kuan Chi	6 July 2014	6 July 2014–5 July 2024	30,000,000	–	–	–	30,000,000	0.05
Zhang Zhan Liang	6 July 2014	6 July 2014–5 July 2024	30,000,000	–	–	–	30,000,000	0.05
An Jing	6 July 2014	6 July 2014–5 July 2024	30,000,000	–	–	–	30,000,000	0.05
Chen Yicheng	6 July 2014	6 July 2014–5 July 2024	30,000,000	–	–	–	30,000,000	0.05
Zhong Keying	1 December 2014	1 December 2014–30 November 2024	19,500,000	–	–	–	19,500,000	0.05
			259,500,000	–	–	(60,000,000)	199,500,000	
Others								
	6 July 2014	6 July 2014–5 July 2024	404,000,000	–	–	(40,000,000)	364,000,000	0.05
			663,500,000	–	–	(100,000,000)	563,500,000	

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2015 was HK\$0.05.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

23. 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	Equity component of convertible bonds HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2015	235,563	12,456	14,879	391,534	(599,467)	54,965
Total comprehensive loss for the year	-	-	-	-	(2,994)	(2,994)
Completion of bonus issue into shares	254,886	-	-	(391,534)	-	(136,648)
Exercise of share options	5,934	(1,934)	-	-	-	4,000
At 31 December 2015 and 1 January 2016	496,383	10,522	14,879	-	(602,461)	(80,677)
Total comprehensive loss for the year	-	-	-	-	(14,952)	(14,952)
Issue of bonus shares (Note 22)	(203,998)	-	-	-	-	(203,998)
Exercise of share options	987	(387)	-	-	-	600
Exercise of bonus warrants	4,678	-	-	-	-	4,678
At 31 December 2016	298,050	10,135	14,879	-	(617,413)	(294,349)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

23. 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.

24. 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:

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

25. CONTINGENT LIABILITIES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

26. 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>	2016 HK\$'000	2015 HK\$'000
New Era Group (China) Limited	<i>(a)</i>		
Rental paid		960	960
Rental deposit paid		160	160
New Era Foundation (China) Limited	<i>(b)</i>		
Rental paid		601	638
Rental deposit paid		100	106

Notes:

- (a) The Company entered into a tenancy agreement (the "Tenancy Agreement A") with New Era Group (China) Limited ("New Era"), a company of which Mr. Xiang Xin, a director of the Company, has control. Pursuant to the Tenancy Agreement A, New Era agreed to lease to the Company an office premise for a term of 36 months commencing on 1 July 2008. The Company shall pay a deposit of HK\$160,000 and a monthly rental of HK\$80,000 to New Era. The deposit was included in prepayments, deposits and other receivables (note 18) in the statement of consolidated financial position. On 1 January 2011, the term of Tenancy Agreement A has been extended a 36 months commencing from 1 July 2011, on 1 January 2014, the term of Tenancy Agreement A has been further extended a 36 months commencing from 1 July 2014, agreed by both the Company and New Era.
- (b) On 1 December 2009, a subsidiary of the Company, Boss China entered into a tenancy agreement (the "Tenancy Agreement B") with New Era Foundation (China) Limited ("New Era China"), a company of which Mr. Xiang Xin, a director of the Company, has control. Pursuant to the Tenancy Agreement B, New Era China agreed to lease to Boss China an office premise for a term of 48 months commencing on 1 January 2010, Boss China shall pay a deposit of RMB90,000 (equivalent to approximately HK\$115,000) and a monthly rental of RMB43,000 to New Era China with no rent free period.

On 31 December 2013, New Era China agreed to lease to Boss China an office premise for a term of 36 months commencing on 1 January 2014, Boss China shall pay a deposit of RMB90,000 (equivalent to approximately HK\$112,000), and a monthly rental of approximately RMB43,000 to New Era China with no rent free period. The deposit was included in prepayments, deposits and other receivables (note 18) 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 2016

26. RELATED PARTY TRANSACTIONS (Continued)

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

	2016	2015
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	292	427
Equity-settled share option expenses	–	–
Pension scheme contributions	–	–
	292	427

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

27. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting periods are as follows:

Financial assets

	<u>Available-for-sale investment</u>		<u>Loans and receivables</u>	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Available-for-sale investment	22,800	22,800	–	–
Financial assets included in prepayments, deposits and other receivables	–	–	2,583	2,490
Trade receivables	–	–	46,389	64,989
Cash and bank balances	–	–	32,591	5,471
	22,800	22,800	81,563	72,950

Financial liabilities

	<u>Financial liabilities at amortised cost</u>	
	2016	2015
	HK\$'000	HK\$'000
Financial liabilities included in other payables and accruals	337	3,907

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

28. 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% (2015: 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.

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.

Fair value

Except as disclosed in note 15 to the financial statements, 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.

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 and due to a director, 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 2016

29. SUMMARISED FINANCIAL POSITION OF THE COMPANY

	2016 HK\$'000	2015 HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	–	10
Intangible assets	22,781	25,000
Available-for-sale investment	22,800	22,800
Interests in subsidiaries	70,179	73,004
Total non-current assets	115,760	120,814
CURRENT ASSETS		
Prepayments, deposits and other receivables	480	3,415
Cash and bank balances	16,849	390
Total current assets	17,329	3,805
CURRENT LIABILITIES		
Trade and other payables	337	1,298
Total current liabilities	337	1,298
Net current assets	16,992	2,507
TOTAL ASSETS LESS CURRENT LIABILITIES	132,752	123,321
NET ASSETS	132,752	123,321
EQUITY		
Equity attributable to owners of the Company		
Issued capital	427,101	203,998
Other reserves	(294,349)	(80,677)
TOTAL EQUITY	132,752	123,321

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 14 March 2017.

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				
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
REVENUE	90,047	116,496	56,540	67,836	227,908
Cost of sales	(86,559)	(112,961)	(54,106)	(65,426)	(220,698)
Gross profit	3,488	3,535	2,434	2,410	7,210
Other income and gains	1,324	208	171	957	589
Administrative and other operating expenses	(13,698)	(8,636)	(20,978)	(11,289)	(11,544)
Loss from operations	(8,886)	–	–	–	–
Impairment loss on intangible asset	(2,219)	–	–	–	–
Impairment loss on other receivable	(3,000)	–	–	–	–
LOSS BEFORE TAX	(14,105)	(4,893)	(18,373)	(7,922)	(3,745)
Income tax	–	–	–	–	–
LOSS FOR THE YEAR	(14,105)	(4,893)	(18,373)	(7,922)	(3,745)
Attributable to:					
Owners of the Company	(14,111)	(4,874)	(18,352)	(7,891)	(3,771)
Non-controlling interests	6	(19)	(21)	(31)	26
	(14,105)	(4,893)	(18,373)	(7,922)	(3,745)

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Total assets	128,603	124,932	124,758	132,283	138,438
Total liabilities	(337)	(3,907)	(476)	(463)	(474)
Net assets	128,266	121,025	124,282	131,820	137,964