



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

INTERIM 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.

HIGHLIGHTS

- Reported a revenue of approximately 44,764,000 for the six months ended 30 June 2016
- Reported a net loss after tax of approximately 6,054,000 and a basic loss per share attributable to owners of the Company of 0.02 HK cent for the six months ended 30 June 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

The board (the "Board") of directors (the "Directors") of China Trends Holdings Limited (the "Company") presents the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the six months and the three months ended 30 June 2016, together with the unaudited comparative amounts for the corresponding periods in 2015, as follows:

| | Notes | Six months ended 30 June | | Three months ended 30 June | |
|---|-------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | | 2016 HK\$'000 Unaudited | 2015 HK\$'000 Unaudited | 2016 HK\$'000 Unaudited | 2015 HK\$'000 Unaudited |
| REVENUE | 4 | 44,764 | 33,771 | 11,361 | 17,306 |
| Cost of sales | | (43,049) | (32,519) | (10,955) | (16,668) |
| Gross profit | | 1,715 | 1,252 | 406 | 638 |
| Other income and gains | 4 | 117 | 8 | 94 | 1 |
| Administrative and other operating expenses | | (7,886) | (3,703) | (4,178) | (2,152) |
| LOSS BEFORE TAX | 5 | (6,054) | (2,443) | (3,678) | (1,513) |
| Income tax expenses | 6 | - | - | - | - |
| LOSS FOR THE PERIOD | | (6,054) | (2,443) | (3,678) | (1,513) |
| OTHER COMPREHENSIVE (LOSS)/INCOME: | | | | | |
| Items that may be classified to profit or loss: | | | | | |
| Exchange differences on translation of foreign operations | | (690) | 45 | (1,702) | (53) |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD | | (6,744) | (2,398) | (5,380) | (1,566) |
| LOSS FOR THE PERIOD ATTRIBUTABLE TO: | | | | | |
| Owners of the Company | | (6,054) | (2,434) | (3,675) | (1,509) |
| Non-controlling interests | | - | (9) | (3) | (4) |
| | | (6,054) | (2,443) | (3,678) | (1,513) |

| | Notes | Six months ended 30 June | | Three months ended 30 June | |
|---|-------|-----------------------------|------------------|-------------------------------|------------------|
| | | 2016 HK\$'000 | 2015 HK\$'000 | 2016 HK\$'000 | 2015 HK\$'000 |
| | | Unaudited | Unaudited | Unaudited | Unaudited |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO: | | | | | |
| Owners of the Company | | (6,737) | (2,389) | (5,360) | (1,561) |
| Non-controlling interests | | (7) | (9) | (20) | (5) |
| | | (6,744) | (2,398) | (5,380) | (1,566) |
| LOSS PER SHARE | | | | | |
| Basis (HK cents per share) | 7 | (0.02) | (0.04) | (0.01) | (0.03) |
| Diluted (HK cents per share) | 7 | N/A | N/A | N/A | N/A |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

The unaudited condensed consolidated statement of financial position as at 30 June 2016, together with the audited consolidated statement of financial position as at 31 December 2015, were as follows:

| | <i>Notes</i> | 30 June 2016 HK\$'000 Unaudited | 31 December 2015 HK\$'000 Audited |
|---|--------------|--|--|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 680 | 805 |
| Intangible assets | 8 | 25,000 | 25,000 |
| Available-for-sale investments | | 22,800 | 22,800 |
| | | 48,480 | 48,605 |
| CURRENT ASSETS | | | |
| Trade receivables | | 34,750 | 64,989 |
| Prepayments, deposits and other receivables | 9 | 6,234 | 5,867 |
| Cash and bank balances | 10 | 49,503 | 5,471 |
| | | 90,487 | 76,327 |
| CURRENT LIABILITIES | | | |
| Other payables and accruals | | 337 | 3,907 |
| | | 337 | 3,907 |
| NET CURRENT ASSETS | | | |
| | | 90,150 | 72,420 |
| NET ASSETS | | | |
| | | 138,630 | 121,025 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Issued capital | 11 | 427,074 | 203,998 |
| Other reserves | | (289,839) | (84,375) |
| | | 137,235 | 119,623 |
| Non-controlling interests | | 1,395 | 1,402 |
| TOTAL EQUITY | | | |
| | | 138,630 | 121,025 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to owners of the Company | | | | | | | | | | |
|--|---------------------------------------|-----------------------------------|----------------------------------|--|---|---|---|--------------------------------|-------------------|---------------------------------------|--------------------------|
| | Issued capital HK\$'000 | Share premium account HK\$'000 | Share option reserve HK\$'000 | Foreign currency translation reserve HK\$'000 | Equity component of convertible bonds HK\$'000 | Special reserve HK\$'000 (Note (a)) | Capital reserve HK\$'000 (Note (b)) | Accumulated losses HK\$'000 | Total HK\$'000 | Non-Controlling interests HK\$'000 | Total equity HK\$'000 |
| At 1 January 2015 (Audited) | 66,350 | 235,563 | 12,456 | 3,968 | 391,354 | 11,157 | (1,638) | (596,562) | 122,828 | 1,454 | 124,282 |
| Loss for the period | - | - | - | - | - | - | - | (2,434) | (2,434) | (9) | (2,443) |
| Other comprehensive income | - | - | - | 45 | - | - | - | - | 45 | - | 45 |
| Total comprehensive income (loss) for the period | - | - | - | 45 | - | - | - | (2,434) | (2,389) | (9) | (2,398) |
| Issue of shares upon exercise of share options | 1,000 | 5,934 | (1,934) | - | - | - | - | - | 5,000 | - | 5,000 |
| At 30 June 2015 (Unaudited) | 67,350 | 241,497 | 10,522 | 4,013 | 391,534 | 11,157 | (1,638) | (598,996) | 125,439 | 1,445 | 126,884 |
| At 1 January 2016 (Audited) | 203,998 | 496,383 | 10,522 | 637 | - | 11,157 | (1,638) | (601,436) | 119,623 | 1,402 | 121,025 |
| Loss for the period | - | - | - | - | - | - | - | (6,054) | (6,054) | - | (6,054) |
| Other comprehensive loss | - | - | - | (683) | - | - | - | - | (683) | (7) | (690) |
| Total comprehensive loss for the period | - | - | - | (683) | - | - | - | (6,054) | (6,737) | (7) | (6,744) |
| Issue of bonus shares | 203,998 | (203,998) | - | - | - | - | - | - | - | - | - |
| Issue of shares upon exercise of share options | 400 | 987 | (387) | - | - | - | - | - | 1,000 | - | 1,000 |
| Issue of shares upon exercise of bonus warrants | 18,678 | 4,671 | - | - | - | - | - | - | 23,349 | - | 23,349 |
| At 30 June 2016 (Unaudited) | 427,074 | 298,043 | 10,135 | (46) | - | 11,157 | (1,638) | (607,490) | 137,235 | 1,395 | 138,630 |

Notes:

- (a) 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 on 31 July 2002.
- (b) Capital reserve represents the difference of capital injected by the Group in subsidiaries and the adjustment of non-controlling interest as a consequence of its non-contribution resulting with a decrease in shareholding in those subsidiaries.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Six months ended 30 June | |
|--|--------------------------------------|--------------------------------------|
| | 2016 <i>HK\$'000</i> Unaudited | 2015 <i>HK\$'000</i> Unaudited |
| Net cash generated from operating activities | 19,683 | 157 |
| Net cash generated from financing activities | 24,349 | 5,000 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 44,032 | 5,157 |
| Cash and cash equivalents at the beginning of the period | 5,471 | 7,485 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 49,503 | 12,642 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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. It mainly develops business of low-carbon digital 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 since 31 July 2002.

2.1 BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements to the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

2.2 ACCOUNTING POLICIES

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2016. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); HKAS; 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 period and prior years.

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

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

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

Six months ended 30 June 2016 (Unaudited)

| | Trading of electronic technology and related products <i>HK\$'000</i> | Media solutions business <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|-----------------------------|--|---|--------------------------|
| Segment revenue: | | | |
| Sales to external customers | 44,764 | – | 44,764 |
| Segment results | 1,715 | – | 1,715 |
| Reconciliation: | | | |
| Other income and gains | | | 117 |
| Unallocated expenses | | | (7,886) |
| Loss before tax | | | (6,054) |
| Income tax expenses | | | – |
| Loss for the period | | | (6,054) |

Six months ended 30 June 2015 (Unaudited)

| | Trading of electronic technology and related products <i>HK\$'000</i> | Media solutions business <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|-----------------------------|--|---|--------------------------|
| Segment revenue: | | | |
| Sales to external customers | 33,771 | – | 33,771 |
| Segment results | 1,252 | – | 1,252 |
| Reconciliation: | | | |
| Other income and gains | | | 8 |
| Unallocated expenses | | | (3,703) |
| Loss before tax | | | (2,443) |
| Income tax expenses | | | – |
| Loss for the period | | | (2,443) |

Geographical segment information based on the Group's revenue is presented below:

| | Six months ended 30 June | | | | Three months ended 30 June | | | |
|----------------------------------|--------------------------|------|-----------------|------|----------------------------|------|-----------------|------|
| | 2016 | | 2015 | | 2016 | | 2015 | |
| | <i>HK\$'000</i> | % | <i>HK\$'000</i> | % | <i>HK\$'000</i> | % | <i>HK\$'000</i> | % |
| | Unaudited | | Unaudited | | Unaudited | | Unaudited | |
| Hong Kong | 22,890 | 51% | 33,771 | 100% | 11,361 | 100% | 17,306 | 100% |
| Mainland China (excluding HK) | 21,874 | 49% | – | 0% | – | 0% | – | 0% |
| | 44,764 | 100% | 33,771 | 100% | 11,361 | 100% | 17,306 | 100% |

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, 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:

| | Six months ended 30 June | | Three months ended 30 June | |
|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 2016 HK\$'000 Unaudited | 2015 HK\$'000 Unaudited | 2016 HK\$'000 Unaudited | 2015 HK\$'000 Unaudited |
| Revenue | | | | |
| Sales of goods | 44,764 | 33,771 | 11,361 | 17,306 |
| Other income and gains | | | | |
| Bank interest income | 8 | 4 | 4 | 1 |
| Others | 109 | 4 | 90 | – |
| | 117 | 8 | 94 | 1 |

5. LOSS BEFORE TAX

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

| | Six months ended 30 June | | Three months ended 30 June | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 2016 HK\$'000 Unaudited | 2015 HK\$'000 Unaudited | 2016 HK\$'000 Unaudited | 2015 HK\$'000 Unaudited |
| Cost of sales | 43,049 | 32,519 | 10,955 | 16,668 |
| Auditors' remuneration | 248 | 181 | 128 | 94 |
| Depreciation | 117 | 129 | 56 | 64 |
| Employee benefits expense (including directors' remuneration) | | | | |
| – wages, salaries and allowances | 713 | 738 | 301 | 383 |
| – other benefits in kind | 45 | 49 | 20 | 24 |
| – pension scheme contributions | 27 | 18 | 11 | 9 |
| | 785 | 805 | 332 | 416 |
| Minimum lease payments under operating lease in respect of land and buildings | 805 | 970 | 411 | 485 |

6. INCOME TAX EXPENSES

No provision for taxation has been made since the Company has tax loss during the six months ended 30 June 2016 (six months ended 30 June 2015: Nil). Tax arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

7. LOSS PER SHARE

The calculation of basic loss per share for the period is based on the unaudited net loss attributable to owners of the Company and the weighted average number of ordinary shares in issue during the six months ended 30 June 2016 and 30 June 2015.

The calculations of basic loss per share are based on:

| | Six months ended 30 June | | Three months ended 30 June | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 2016 HK\$'000 Unaudited | 2015 HK\$'000 Unaudited | 2016 HK\$'000 Unaudited | 2015 HK\$'000 Unaudited |
| Loss attributable to owners of the Company, used in the basic loss per share calculation | (6,054) | (2,434) | (3,675) | (1,509) |

| | Six months ended 30 June | | Three months ended 30 June | |
|---|-----------------------------|---------------|-------------------------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation | 31,625,596,479 | 6,648,279,710 | 21,986,428,024 | 6,661,557,488 |

The computation of the diluted loss per share does not assume the exercise of the Company's share options and convertible bonds as the exercise of the share options and convertible bonds will give rise to an anti-dilutive effect.

8. INTANGIBLE ASSETS

| | Copyright of a film library HK\$'000 (note) |
|---|--|
| At 30 June 2016 (Unaudited) | |
| Cost | 25,000 |
| Accumulated amortisation and impairment losses | — |
| Carrying amount | <u>25,000</u> |
| At 31 December 2015 (Audited) | |
| Cost | 25,000 |
| Accumulated amortisation and impairment losses | — |
| Carrying amount | <u>25,000</u> |

Notes: Copyright of a film library (the "Copyright") represents the copyright of five series (a total of 320 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 of the Copyright has been assessed by the directors under the cost methodology. No impairment has been provided as the fair value less costs to sell is higher than its carrying amount at the end of the reporting period.

In determining the fair value less costs to sell, 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.

9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 30 June 2016 HK\$'000 Unaudited | 31 December 2015 HK\$'000 Audited |
|--|--|--|
| Prepayments | 165 | 377 |
| Deposit paid for acquisition of a subsidiary | 3,000 | 3,000 |
| Rental deposit (<i>note 15</i>) | 264 | 272 |
| Other receivables | 2,805 | 2,218 |
| | 6,234 | 5,867 |

10. CASH AND BANK BALANCES

| | 30 June 2016 HK\$'000 Unaudited | 31 December 2015 HK\$'000 Audited |
|------------------------|--|--|
| Cash and bank balances | 49,503 | 5,471 |

11. SHARE CAPITAL

| | 30 June 2016 HK\$'000 Unaudited | 31 December 2015 HK\$'000 Audited |
|--|--|--|
| Authorised: | | |
| 100,000,000,000 (2015: 30,000,000,000) ordinary shares of HK\$0.01 each (<i>note a</i>) | 1,000,000 | 300,000 |
| Issued and fully paid: | | |
| 42,707,391,396 (2015: 20,399,778,579) ordinary shares of HK\$0.01 each (<i>note b</i>) | 427,074 | 203,998 |

Notes:

- (a) ordinary resolution has been passed at extra-ordinary general meeting held on 7 March 2016 to increase the authorized share capital of the Company by creating of an additional 70,000,000,000 new shares.
- (b) During the period ended 30 June 2016, the Company has issued:
- bonus shares of 20,399,778,579 on the basis of one bonus share for every one existing share held on 17 March 2016;
 - 40,000,000 shares under the Share Option Scheme as disclosed in note 12;
 - 1,867,834,238 shares by exercising 1,867,834,238 unites of 2021 warrants (warrant code: 8015) by warrantholders of the Company.

12. SHARE OPTION SCHEME

Pursuant to an extra-ordinary general meeting of all the shareholders passed on 1 November 2010, a new share option scheme (“Option 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 Option 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 Option 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.

A consideration of HK\$1 shall be paid to the Company upon acceptance of the grant. Options may be exercised in accordance with the terms of the Option Scheme at any time during a year to be determined and notified by the directors of the Company, which period may not expire earlier than 3 years and later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. The exercise price is determined by the directors of the Company, and will not be less than the higher of closing price of the Company’s shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

Details of the options granted under the Option Scheme and outstanding at 30 June 2016 and 30 June 2015 are as follows:

30 June 2016

| Date of grant | Exercise period | Number of share options | | | | | Adjusted exercise price per share option HK\$ (note) | |
|-----------------|----------------------------------|----------------------------------|---------------------------|---------------------------|---|-----------------------------|--|--------------------------------|
| | | Outstanding as at 1 January 2016 | Granted during the period | Expired during the period | Adjustment of share option upon issue of bonus share (note) | Exercised during the period | | Outstanding as at 30 June 2016 |
| 6 July 2014 | 6 July 2014-5 July 2024 | 544,000,000 | - | - | 544,000,000 | (40,000,000) | 1,048,000,000 | 0.025 |
| 1 December 2014 | 1 December 2014-30 November 2024 | 19,500,000 | - | - | 19,500,000 | - | 39,000,000 | 0.025 |
| | | 563,500,000 | - | - | 563,500,000 | (40,000,000) | 1,087,000,000 | |

Note: Adjustment of share option upon completion of bonus shares issued on 24 March 2016.

30 June 2015

| Date of grant | Exercise period | Number of share options | | | | Outstanding as at 30 June 2015 | Exercise price per share option HK\$ |
|-----------------|----------------------------------|----------------------------------|---------------------------|---------------------------|-----------------------------|--------------------------------|--------------------------------------|
| | | Outstanding as at 1 January 2015 | Granted during the period | Expired during the period | Exercised during the period | | |
| 6 July 2014 | 6 July 2014-5 July 2024 | 644,000,000 | - | - | 100,000,000 | 544,000,000 | 0.05 |
| 1 December 2014 | 1 December 2014-30 November 2024 | 19,500,000 | - | - | - | 19,500,000 | 0.05 |
| | | 663,500,000 | - | - | 100,000,000 | 563,500,000 | |

13. OPERATING LEASES COMMITMENTS

At 30 June 2016, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

| | 30 June 2016 | 31 December 2015 |
|--|-------------------------|---------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | Unaudited | Audited |
| Within one year | 1,266 | 1,635 |
| In the second to fifth year, inclusive | – | 480 |
| | 1,266 | 2,115 |

14. OTHER COMMITMENTS AND EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 13 to the condensed consolidated financial statements, the Group and the Company do not have other material commitments as at 30 June 2016.

15. RELATED PARTIES TRANSACTIONS

Save as those disclosed elsewhere in these condensed consolidated financial statement, the Group had the following material transactions with related parties during the period:

| | | Six months ended 30 June | |
|------------------------------------|--------------|---------------------------------|-----------------|
| | | 2016 | 2015 |
| | | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | Unaudited | Unaudited |
| | <i>Notes</i> | | |
| New Era Group (China) Limited | <i>(a)</i> | | |
| Rental paid | | 960 | 960 |
| Rental deposit paid | | 160 | 160 |
| New Era Foundation (China) Limited | <i>(b)</i> | | |
| Rental paid | | 307 | 321 |
| Rental deposit paid | | 104 | 112 |

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 9) in the statement of financial position. On 1 January 2011, the term of Tenancy Agreement A has been extended a 36 months commencing from 1 July 2011, on 1 January 2014, the term of Tenancy Agreement A has been further extended a 36 months commencing from 1 July 2014, agreed by both the Company and New Era.
- (b) On 1 December 2009, a subsidiary of the Company, Boss China entered into a tenancy agreement (the “Tenancy Agreement B”) with New Era Foundation (China) Limited (“New Era China”), a company of which Mr. Xiang Xin, a director of the Company, has control. Pursuant to the Tenancy Agreement B, New Era China agreed to lease to Boss China an office premise for a term of 48 months commencing on 1 January 2010, Boss China shall pay a deposit of RMB90,000 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\$104,000) 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 9) in the condensed consolidated statement of financial position.

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

16. CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any significant contingent liabilities.

17. INTERIM DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2016, the Group recorded a revenue of approximately HK\$44,764,000 (six months ended 30 June 2015: HK\$33,771,000), representing an increase of approximately 32.55% as compared to that of previous period. The Group recorded an increase as compared to that of previous period in revenue was mainly due to Boss Dream (China) Limited (“Boss China”), a subsidiary of the Company, being reached a settlement from all parties from the malicious litigation from Zhengjiang New district in Zhengjiang Intermediate People’s Court mediation on 24 June 2015. As a result, Boss China has contributed on revenue to the Group to approximately HK\$21,874,000 (six months ended 30 June 2015: nil).

Loss attributable to owners of the Company for the six months ended 30 June 2016 was approximately HK\$6,054,000 (six months ended 30 June 2015: HK\$2,434,000).

OPERATIONAL REVIEW

The principal activity of the Company is investment holding. The Group is principally engaged in (i) trading of electronic technology and related products, and (ii) 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.

On 3 February 2016, Honour Sky International Limited (“Honour Sky”), the substantial shareholder of the Company, and China Technology Education Trust Association (“CTE”), a charitable society, issued a consent letter to the Company in relation to the provision the standby facility (“Standby Facility”) in the principal amount of up to HK\$500,000,000. The drawdown from such Standby Facility shall be utilised by the Company for investment or acquisition of a designated media project which is public service oriented and would facilitate youth’s innovation and entrepreneurship both in the PRC and Hong Kong.

On 19 February 2016, the Company and Shenzhen Coccaa Network Technology Co., Ltd entered into a cooperative agreement in relation to the Children Intelligent TV.

On 8 March 2016, the Company, being one of the creditors of Asia Television Limited (the “ATV”), has 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 will not accept the Debt Restructuring Proposals made by the Company for ATV.

On 28 March 2016, the Company issued a letter (the “Further Explanation”) to the Provisional Liquidators and further explained the Debt Restructuring Proposals.

On 11 April 2016, the Company issued a revised Debt Restructuring Proposal to the provisional liquidator of ATV.

On 24 June 2016, the Company and Mr. Xu entered into a memorandum of understanding in relation to patents acquisition.

On 30 June 2016, the Company and Youshi Interactive entered into a supplemental agreement to the cooperative agreement in relation to the “Interactive TV shopping platform”.

PROSPECT

The Group will continue to expand the business in Hong Kong and will recover the business in Boss China after the malicious litigation from Zhengjiang New District have reached a settlement in Zhengjiang Intermediate People’s Court mediation on 24 June 2015.

The Group will principally provide online media platforms and media advertising business in the future. The Company’s directors and management will dedicate their best effort to lead the Group to strive for the best interests for its shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

The Group continued to finance its operation and expenditure mainly through internally generated fund and the net proceeds from the Placing.

The Group maintained a healthy liquidity position with a current ratio of approximately 269 (31 December 2015: 20) and total cash and bank balances amounted to approximately HK\$49,503,000 (31 December 2015: HK\$5,471,000). As at 30 June 2016, the gearing ratio based on total debts over total equity was zero (31 December 2015: zero).

CAPITAL STRUCTURE AND FLUCTUATION IN EXCHANGE

Details in the changes of the capital structure of the Company during the six months ended 30 June 2016 are set in note 11 to the condensed consolidated financial statements. The capital of the Group comprised only ordinary shares as at 30 June 2016.

The Group has transactional currency exposures as the sales and purchases of the Group were mainly transacted in Renminbi, United States dollars and Hong Kong dollar. As at 30 June 2016, substantial portion of the assets and liabilities of the Group were current in nature, and the amount were principally denominated in Renminbi, United States dollars and Hong Kong dollars, foreign exchange risk was considered to be minimal.

EMPLOYEES

As at 30 June 2016, there was a total of 12 staff employed by the Group. The staff costs, including directors' remuneration, for the six months ended 30 June 2016 were approximately HK\$785,000. The total amount comprised salaries, wages and allowance, medical and insurance coverage, pension fund scheme and discretionary bonus.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARE CAPITAL

As at 30 June 2016, the interests and short positions of the Directors or chief executives and their associates in the shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future 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 ISSUED SHARES

| Name | Nature of interest | Number of Share held | Approximately percentage of interests |
|------------------------------|------------------------------------|----------------------|---------------------------------------|
| Kung Ching (<i>note 2</i>) | Interest of controlled corporation | 10,783,683,830 (L) | 25.25% |

(II) INTEREST IN THE UNDERLYING SHARES OF THE COMPANY – SHARE OPTION

| Name of Director | Date of grant | Exercise period | Nature of interest | Exercise price per share HK\$ (note) | Number of underlying Shares for Share Options (note) | 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% |
| Sun Kuan Chi | 6 July 2014 | 6 July 2014 to 5 July 2024 | Beneficial interest | 0.025 | 60,000,000 (L) | 0.14% |
| Zhang Zhan Liang | 6 July 2014 | 6 July 2014 to 5 July 2024 | Beneficial interest | 0.025 | 60,000,000 (L) | 0.14% |
| An Jing | 6 July 2014 | 6 July 2014 to 5 July 2024 | Beneficial interest | 0.025 | 60,000,000 (L) | 0.14% |
| Chen Yicheng | 6 July 2014 | 6 July 2014 to 5 July 2024 | Beneficial interest | 0.025 | 60,000,000 (L) | 0.14% |
| Zhong Keying | 1 December 2014 | 1 December 2014 to 30 November 2024 | Beneficial interest | 0.025 | 39,000,000 (L) | 0.09% |

Note: Adjustment of share option upon completion of bonus shares issued on 24 March 2016.

Notes:

1. The letter “L” denotes the long position in the Shares.
2. The Shares and the underlying Shares of the Company are held by Honour Sky International Limited which Ms. Kung Ching, spouse of Mr. Xiang Xin, is the ultimate beneficiaries of such company.

Save as disclosed above, as at 30 June 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 or underlying Shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 30 June 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 was 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 (note 4) |
|---|------------------------------------|-----------------------|---|
| Honour Sky International Limited | Beneficial owner | 10,783,683,830 (L) | 25.25% |
| New Times Global Capital Inc. (note 2) | Interest of controlled corporation | 10,783,683,830 (L) | 25.25% |
| Kuan Hsin Huei | Beneficial owner | 2,909,072,000 (L) | 6.81% |
| Morgan Strategic Limited | Beneficial owner | 2,137,200,000 (L) | 5.00% |
| Top Ten International s.a r.l. (note 3) | Interest of controlled corporation | 2,137,200,000 (L) | 5.00% |
| Chen Darren (note 3) | Interest of controlled corporation | 2,137,200,000 (L) | 5.00% |

(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 interest (note 8) |
|---|---------------|--------------------------------|--------------------------------------|-------------------------------|---|---|
| Morgan Strategic Limited | 29 March 2016 | 29 March 2016 to 28 March 2021 | Beneficial owner | 0.0125 | 427,440,000(L) | 1.00% |
| Top Ten International s.a r.l. (note 3) | 29 March 2016 | 29 March 2016 to 28 March 2021 | Interested of controlled corporation | 0.0125 | 427,440,000(L) | 1.00% |
| Chen Darren | 29 March 2016 | 29 March 2016 to 28 March 2021 | Interested of controlled corporation | 0.0125 | 427,440,000(L) | 1.00% |

Notes:

1. The letter "L" denotes the long position in the Shares.
2. Honour Sky International Limited is a private company wholly and beneficially owned by New Times Global Capital Inc. Accordingly, New Times Global Capital Inc. is interested in the Shares and the underlying Shares of the Company held by Honour Sky International Limited. Ms. Kung Ching, spouse of Mr. Xiang Xin owns 100% share of New Times Global Capital Inc. and is also the director of New Times Global Capital Inc. and is taken to be interested in the Shares and underlying Shares of the Company held by Honour Sky International Limited.
3. Morgan Strategic Limited is a private company 100% owned by Top Ten International s.a r.l. ("Top Ten") and Top Ten is a private company wholly and beneficially owned by Mr. Chen Darren. Accordingly, Top Ten and Mr. Chen Darren are interested in the shares of the Company held by Morgan Strategic Limited.
4. The approximately percentage of interests in the Company is calculated on the basis of 42,707,391,396 Shares in issue as at 30 June 2016.

Save as disclosed above, as at 30 June 2016, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in Shares and underlying Shares" above, had registered an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the above, at no time during the period 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 part 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 period under review.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 12 to the condensed consolidated financial statements.

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, 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.

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 Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. During the period, 1,867,834,238 units of bonus warrants has been exercised by warrant holders of the Company and 6,292,077,194 units of bonus warrants are outstanding as at 30 June 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 period under review.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the period 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 becomes the Chairman of the Board and Chief Executive Officer of the Company during the period.

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. 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 provision 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 was fair and reasonable, and does not intend to change the current practice at the moment.

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 as at the date of this report.

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 period under review.

AUDIT COMMITTEE

The Company established an audit committee (the "Committee") on 16 July 2002 in accordance with the requirements of the GEM Listing Rules. The Committee currently comprises three independent non-executive directors of the Company, Mr. Zhang Zhan Liang as the Chairman, Ms. An Jing and Mr. Chen Yicheng as the members.

The Group's unaudited consolidated results for the six months ended 30 June 2016 have been reviewed by the Committee, which was of the opinion that such results have complied with the applicable accounting standards and that adequate disclosures have been made.

DIRECTORS OF THE COMPANY

As at the date of this report, the executive directors of the Company are Mr. Xiang Xin (Chairman) and Mr. Chan Cheong Yee; the independent non-executive directors of the Company are Mr. Zhang Zhan Liang, Ms. An Jing and Mr. Chen Yicheng. Ms. Kung Ching is an alternate director to Mr. Xiang Xin.

By order of the Board
China Trends Holdings Limited
Xiang Xin
Chairman and Chief executive officer

Hong Kong, 9 August 2016