



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)

THIRD QUARTERLY REPORT 2019

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

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

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

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This report, for which the directors of China Trends Holdings Limited (the “Company”) 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.

FINANCIAL HIGHLIGHTS

- For the nine months ended 30 September 2019, the Group recorded a revenue of approximately HK\$111,567,000 (nine months ended 30 September 2018: HK\$56,569,000), representing an increase of 97.22% as compared to that of previous period.
- The Group's gross profit increased to approximately HK\$3,317,000 for the nine months ended 30 September 2019 from approximately HK\$1,763,000 for the nine months ended 30 September 2018, representing an increase of approximately 88.15% as compared to that of previous period.
- Loss attributable to owners of the Company for the nine months ended 30 September 2019 was approximately HK\$4,624,000 (nine months ended 30 September 2018: HK\$7,085,000), representing a decrease of approximately 34.74% as compared to that of previous period.
- For the nine months ended 30 September 2019, the net profit was approximately HK\$1,654,000 after deducting non-recurring expenses, representing big improvement as compared to net loss of HK\$2,600,000 of previous period.

CONDENSED CONSOLIDATED STATEMENT OF 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 nine months ended and the three months ended 30 September 2019, together with the unaudited comparative amounts for the corresponding period in 2018, as follows:

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2019	2018	2019	2018
		HK\$'000 Unaudited	HK\$'000 Unaudited	HK\$'000 Unaudited	HK\$'000 Unaudited
REVENUE	4	111,567	56,569	40,264	17,686
Cost of sales		(108,250)	(54,806)	(39,119)	(17,181)
Gross profit		3,317	1,763	1,145	505
Other income and gains	4	2,145	243	1,616	92
Administrative and other expenses		(9,990)	(9,094)	(4,105)	(2,101)
Lease finance cost		(60)	–	(14)	–
LOSS BEFORE TAX	5	(4,588)	(7,088)	(1,358)	(1,504)
Income tax expenses	6	–	–	–	–
LOSS FOR THE PERIOD		(4,588)	(7,088)	(1,358)	(1,504)
OTHER COMPREHENSIVE (LOSS)/INCOME					
Items that may be classified to profit or loss:					
Exchange differences on translation of foreign operations		(460)	1,977	(519)	–
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(5,048)	(5,111)	(1,877)	(1,504)
(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO:					
Owners of the Company		(4,624)	(7,085)	(1,379)	(1,503)
Non-controlling interests		36	(3)	21	(1)
		(4,588)	(7,088)	(1,358)	(1,504)

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		Nine months ended 30 September		Three months ended 30 September	
		2019	2018	2019	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Notes		Unaudited	Unaudited	Unaudited	Unaudited
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
	Owners of the Company	(5,084)	(5,108)	(1,898)	(1,503)
	Non-controlling interests	36	(3)	21	(1)
		(5,048)	(5,111)	(1,877)	(1,504)
LOSS PER SHARE					
	Basis (HK cents per share)	7 (0.011)	(0.017)	7 (0.003)	(0.004)
	Diluted (HK cents per share)	7 N/A	N/A	7 N/A	N/A

Notes:

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

The shares of the Company have been listed on the GEM 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 Financial Reporting Standards which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards and Interpretations 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 2018.

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 2019. 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 except as stated below.

HKFRS 16 "Leases"

The Group has transitioned to HKFRS 16 in accordance with the modified retrospective approach and, therefore, the information presented for 2018 has not been restated. The right-of-use assets for operating lease was measured at the amount equal to the lease liability, adjusted by the amount of any prepayments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018.

The adjustment of the opening balances (affected items only) below results from the initial application of the HKFRS 16 as at 1 January 2019. The prior-year amounts were not adjusted.

	31 December 2018 <i>HK\$'000</i> (audited)	HKFRS 16 Contract capitalisation <i>HK\$'000</i> (unaudited)	1 January 2019 <i>HK\$'000</i> (unaudited)
Assets:			
Right-of-use assets	–	2,380	2,380
Liabilities:			
Lease liabilities	–	2,380	2,380

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 e-commerce and media advertising business.

Nine months ended 30 September 2019 (Unaudited)

	Trading of electronic technology and related products <i>HK\$'000</i> (audited)	Media e-commerce and media advertising business <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Segment revenue:			
Sales to external customers	111,567	–	111,567
Segment results	3,317	–	3,317
Reconciliation:			
Other income and gains			2,145
Unallocated expenses			(10,050)
Loss before tax			(4,588)
Income tax expenses			–
Loss for the period			(4,588)

Nine months ended 30 September 2018 (Unaudited)

	Trading of electronic technology and related products <i>HK\$'000</i> (audited)	Media e-commerce and media advertising business <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Segment revenue:			
Sales to external customers	56,569	–	56,569
Segment results	1,763	–	1,763
Reconciliation:			
Other income and gains			243
Unallocated expenses			(9,094)
Loss before tax			(7,088)
Income tax expenses			–
Loss for the period			(7,088)

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

	Nine months ended 30 September				Three months ended 30 September			
	2019		2018		2019		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	Unaudited		Unaudited		Unaudited		Unaudited	
Hong Kong	–	–	–	–	–	–	–	–
Mainland China (excluding HK)	111,567	100	56,569	100	40,264	100	17,686	100
	111,567	100	56,569	100	40,264	100	17,686	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:

	Nine months ended 30 September		Three months ended 30 September	
	2019 HK\$'000 Unaudited	2018 HK\$'000 Unaudited	2019 HK\$'000 Unaudited	2018 HK\$'000 Unaudited
Revenue				
Sales of goods	111,567	56,569	40,264	17,686
Other income and gains				
Bank interest income	131	105	10	67
Others	2,014	138	1,606	25
	2,145	243	1,616	92

5. LOSS BEFORE TAX

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

	Nine months ended 30 September		Three months ended 30 September	
	2019 HK\$'000 Unaudited	2018 HK\$'000 Unaudited	2019 HK\$'000 Unaudited	2018 HK\$'000 Unaudited
Cost of sales	108,242	54,806	39,111	17,181
Auditors' remuneration	301	289	95	90
Depreciation	120	131	37	43
Depreciation on right-of-use assets	1,437	–	479	–
Employee benefits expense (including directors' remuneration)				
– wages, salaries and allowances	933	877	399	308
– other benefits in kind	75	111	29	39
– pension scheme contributions	69	32	27	13
	111,177	56,246	40,177	17,674
Minimum lease payments under operating lease in respect of land and buildings	–	1,509	–	503

6. INCOME TAX EXPENSES

No provision for taxation has been made since the Company has tax loss during the nine months ended 30 September 2019 (nine months ended 30 September 2018: Nil). Tax arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

7. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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 nine months ended 30 September 2019 and 30 September 2018.

The calculations of basic loss per share are based on:

	Nine months ended 30 September		Three months ended 30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Unaudited	Unaudited	Unaudited	Unaudited
Loss attributable to owners of the Company, used in the basic loss per share calculation	(4,624)	(7,085)	(1,379)	(1,503)

	Number of shares			
	Nine months ended 30 September		Three months ended 30 September	
	2019	2018	2019	2018
	Unaudited	Unaudited	Unaudited	Unaudited
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	42,716,118,022	42,716,117,559	42,716,118,022	42,716,118,022

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. RESERVES

	Share premium account HK\$'000	Share option reserve HK\$'000	Foreign currency translation reserve HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- Controlling interests HK\$'000	Total HK\$'000
At 1 January 2018 (Audited)	298,065	9,409	1,703	11,157	(1,638)	(623,097)	(304,401)	1,420	(302,981)
Loss for the period	-	-	-	-	-	(7,085)	(7,085)	(3)	(7,088)
Other comprehensive income	-	-	1,977	-	-	-	1,977	-	1,977
Total comprehensive income/ (loss) for the period	-	-	1,977	-	-	(7,085)	(5,108)	(3)	(5,111)
Issue of shares upon exercise of bonus warrants	-	-	-	-	-	-	-	-	-
Issued share option	-	2,178	-	-	-	-	2,178	-	2,178
At 30 September 2018 (Unaudited)	298,065	11,587	3,680	11,157	(1,638)	(630,182)	(307,331)	1,417	(305,914)
At 1 January 2019 (Audited)	298,065	10,448	(1,015)	11,157	(1,638)	(628,500)	(311,483)	1,473	(310,010)
Loss for the period	-	-	-	-	-	(4,624)	(4,624)	36	(4,588)
Other comprehensive income	-	-	(460)	-	-	-	(460)	-	(460)
Total comprehensive income/ (loss) for the period	-	-	(460)	-	-	(4,624)	(5,084)	36	(5,048)
Issue of shares upon exercise of bonus warrants	-	-	-	-	-	-	-	-	-
Issued share option	-	-	-	-	-	-	-	-	-
At 30 September 2019 (Unaudited)	298,065	10,448	(1,475)	11,157	(1,638)	(633,124)	(316,567)	1,509	(315,048)

DIVIDEND

The Directors do not recommend the payment of any dividend for the nine months ended 30 September 2019 (nine months ended 30 September 2018: Nil).

FINANCIAL REVIEW

For the nine months ended 30 September 2019, the Group recorded a revenue of approximately HK\$111,567,000 (nine months ended 30 September 2018: HK\$56,569,000), representing an increase of 97.22% as compared to that of previous period.

The Group's gross profit increased to approximately HK\$3,317,000 for the nine months ended 30 September 2019 from approximately HK\$1,763,000 for the nine months ended 30 September 2018, representing an increase of approximately 88.15% as compared to that of previous period.

Loss attributable to owners of the Company for the nine months ended 30 September 2019 was approximately HK\$4,624,000 (nine months ended 30 September 2018: HK\$7,085,000), representing a decrease of approximately 34.74% as compared to that of previous period.

The Group's trading business has been operating in a healthy and stable manner for more than 10 years. Compared with the same period of 2018, in the first nine months of 2019, both operating revenue and gross profit have achieved significant growth. The net profit for the first nine months of 2019 was approximately HK\$1,654,000 after deducting non-recurring expenses such as the litigation fee of approximately HK\$4,107,000 against Asia Television Limited, the share of the associate's loss of approximately HK\$1,298,000 and the depreciation of the assets of approximately HK\$837,000, representing big improvement as compared to net loss of HK\$2,600,000 of previous period.

OPERATIONAL REVIEW

The principal activity of the Company is investment holding. The Group is principally engaged in (i) trading of electronic technology and related products, and (ii) media and e-commerce platforms and media advertising services.

1. On 11 April 2019, the Company entered into a cooperation agreement with 深圳優優購智能商業網絡科技有限公司 (Shenzhen WealthGo Company Limited)* ("Shenzhen WealthGo"), Mr. Wang Xinjie and Mr. Chen Xin, pursuant to which the Company shall (i) customise and sell an estimated one million sets of vending machines, where each set of vending machine(s) consists of a minimum of one and a maximum of ten, to Shenzhen WealthGo via Boss Dream (China) Limited ("Boss China"), a subsidiary of the Company; (ii) support Shenzhen WealthGo in their operating vending machines project; and (iii) provide services in relation to the exchange of vouchers for gifts for the members of the "WealthStorm" platform of the Group.

The plans of Shenzhen WealthGo are as follows: (i) in 2019, being the “pilot” year, Shenzhen WealthGo is expected to order 1,000 sets of vending machines; (ii) in 2020, being the “promotion” year, Shenzhen WealthGo is expected to order 10,000 sets of vending machines; (iii) in 2021, being the “development” year, Shenzhen WealthGo is expected to order 100,000 sets of vending machines; and (iv) in 2022, being the “outbreak” year, Shenzhen WealthGo is expected to order 1,000,000 sets of vending machines.

All parties to the Cooperation Agreement have agreed on the e-commerce media business model of the WealthStorm, and agreed to connect all vending machines with the WealthStorm, including but not limited to all the media resources that “暢讀”, the full digital magazine reading platform developed by 北京維旺明科技股份有限公司 (Beijing Viva Technologies Limited)*, which has authorized the Company for distribution.

During the period of this cooperation, not only would the Company supply paid hardware (i.e. vending machines) to Shenzhen WealthGo via Boss China, but also it would provide free app software and import customers to Shenzhen WealthGo, while Shenzhen WealthGo is responsible for searching supplier channel and laying hardware. Furthermore, Shenzhen WealthGo agreed that the Company or Boss China would obtain 50% of the gross profit of the Project after deducting the third-party expenses (including e-commerce revenue and advertising revenue and without deduction of depreciation), and that the gross profit from the previous month would be distributed on the first day of every month, in which the gross profit includes the payment via vending machines by cash or by scan code. If the income of Shenzhen WealthGo is negative after deducting all costs, Shenzhen WealthGo would not need to pay the gross profit share to the Company for that respective month. The loss would be accumulated to the next month and the gross profit would only be distributed when there is a positive business margin, and so on.

On 6 September 2019, Boss China was informed by Mr. Wang Xinjie, the legal representative of Shenzhen WealthGo, that Shenzhen WealthGo has been actively pushing forward the Cooperation Agreement entered into between Shenzhen WealthGo and Boss China. However, Shenzhen WealthGo has expressed its worrying and disturbing on the Company being in the process of delisting decided by The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and is requesting to delay the cooperation until there should be any positive results regarding the review of the decision of the Stock Exchange. The Company understands the reason for Shenzhen WealthGo’s decision of delaying the cooperation.

2. On 19 July 2019, the Company entered into a cooperation framework agreement (“Framework Agreement”) with Shen Zhen HengKangda International Food Corp., Ltd. * (深圳市恆康達國際食品股份有限公司) (“Shen Zhen HengKangda”) and Mr. Li Gang (“Mr. Li”) relating to acquire e-commerce/convenience store business, so as to expand the redemption business scale of the Wealthstorm Platform underneath the Company.

Shen Zhen HengKangda is a limited liability company incorporated under the laws of PRC, which is focusing on the trading business of imported foods, including e-commerce / convenience store business (with its team and assets) (“Target Business”).

Pursuant to the Framework Agreement, the Company intends to acquire the Target Business of Shen Zhen HengKangda. Transaction consideration of the Target Business will be determined based on appraisal report made by an independent third-party evaluation agency authorized by the Company. Subject to the approval of The Stock Exchange of Hong Kong Limited (“HKEX”), the Company will pay the consideration by the issuance of shares of the Company at HK\$0.01 per share.

After the completion of the acquisition transaction, the company promises to inject the Target Business into the Company’s subsidiary for operation, while Shen Zhen HengKangda promises to maintain the existing business, business qualification and revenue for at least 3 years after the completion of the acquisition transaction. The existing team of the Target Business being transferred to the Company’s subsidiary for at least 3 years after signing a formal acquisition agreement.

After the formal acquisition agreement is signed and the transaction is completed, Shen Zhen HengKangda and Mr. Li and their affiliated companies acknowledged not to engage in any business that competes with the Target Business, unless approved by the Company.

* For identification purposes only

PROSPECT

The Group will continue to expand the trading business and 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.

UPDATE ON LISTING STATUS

The Company has received a letter dated 10 June 2019 from the Stock Exchange (the "Letter") which serves as a notice pursuant to Rule 9.15 of the GEM Listing Rules, that the Stock Exchange considers that the Company has failed to maintain a sufficient level of operations or assets under Rule 17.26 of the GEM Listing Rules to warrant the continued listing of the Shares, and has therefore decided to suspend trading in the Shares under Rule 9.04 of the GEM Listing Rules and proceed with cancellation of the Company's listing under Rule 9.14 of the GEM Listing Rules (the "Decision"). The Company has submitted a written request to the GEM Listing Committee of the Stock Exchange (the "GEM Listing Committee") pursuant to Chapter 4 of the GEM Listing Rules on 14 June 2019 for reviewing of the Decision.

On 4 July 2019, the Company signed an engagement letter to appoint Yu Ming Investment Management Limited as the Company's financial advisor to deal with the Letter.

On 19 August 2019, the Stock Exchange informed the Company that the review hearing of the Decision has been scheduled for 29 October 2019.

On 10 October 2019, the Company was informed by its substantial shareholder, China Technology Education Trust Association ("CTE"), that CTE made an application (the "JR Application") for leave to judicially review the Decision.

CTE, a charitable organization providing financial aids to technology education and employment in Hong Kong and China, is registered under section 88 of the Inland Revenue Ordinance (Cap. 112) of the laws of Hong Kong and entitled to tax exemption.

The grounds of and the rationale behind CTE's JR Application are, inter alia,

- (i) the Company has significant business and net assets value;
- (ii) the Company's losses have been reducing in the past few years and became profitable for the six months ended 30 June 2019 excluding non-operational and non-recurring expenditure,

- (iii) the Stock Exchange has not raised any concerns over the operation sufficiency of the Company in the past 10 years, the Decision are abrupt and unreasonable; and
- (iv) given the Company's financial conditions are not in deterioration, CTE has legitimate expectation of continued listing of the shares of the Company.

CTE informed the Company that on 23 September 2019 the High Court notified CTE its direction to adjourn the JR Application until the conclusion of the review hearing of the Decision.

For details, please refer to the announcements of the Company dated 10 June 2019, 14 June 2019, 4 July 2019, 23 August 2019 and 10 October 2019.

UPDATE ON LEGAL PROCEEDING AGAINST ATV

On 8 November 2015, the Company conditionally entered into an agreement with Asia Television Limited ("ATV") in relation to the transfer of 100% equity interest of ATV CEPA Promotion Limited, a wholly-owned subsidiary of ATV.

On 12 February 2016, the Company through its solicitors issued a letter to ATV: (i) accepting its repudiatory breach of the equity transfer agreement thereby resulting in the termination of the equity transfer agreement and (ii) without prejudice to the other rights of the Company, demanding repayment of the initial payment of HK\$3 million under the equity transfer agreement.

On 8 March 2016, the Company, being one of the creditors of ATV has issued the debt restructuring proposal to the provisional liquidator of ATV. The debt restructuring proposals are made subject to contract and upon satisfaction of all conditions therein (such as the obtaining of approval from Hong Kong court, approval from the shareholders of the Company at the extraordinary general meeting and approval from the Stock Exchange etc.).

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 did 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 5 May 2017, the Company commenced legal proceedings at the Hong Kong High Court against ATV in HCA 1067 of 2017 (the “Case”) seeking, among other things, substantial damages for breach of the Equity Transfer Agreement.

According to the Equity Transfer Agreement, ATV should indemnify the Company for the loss of expected income (“Expected Income”) due to its violation. During the period of 2018, the Company commissioned independent valuer to evaluate the Expected Income.

In May 2019, both the Company and ATV have since exchanged pleadings, completed discovery and exchanged witness statements. Pending further directions to be made by the Court, the Company will obtain an expert report opining on the valuation of the Company’s loss of profits reasonably contemplated under the Equity Transfer Agreement. The Company will also obtain Counsel’s advice within the time directed by the Court to ensure proper preparation of the Case. In the meantime, the Company has indicated its willingness to attempt mediation with a view to settling the Case but if mediation is unsuccessful, the Company will take steps to set the Case down for trial.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS IN SHARE CAPITAL

As at 30 September 2019, 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 Futures Ordinance (the “SFO”) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

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

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

Notes:

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

Save as disclosed above, as at 30 September 2019, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 30 September 2019, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is 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 members of the Company:

(I) INTEREST IN ISSUED SHARES

Name	Nature of interest	Number of shares held	Approximately percentage of interests <i>(note 4)</i>
Honour Sky International Limited <i>(note 2)</i>	Beneficial owner	12,583,683,830(L)	29.46%
China Technology Education Trust Association <i>(note 2)</i>	Interest of controlled corporation	12,583,683,830(L)	29.46%
Yu Bin <i>(note 3) (note 5)</i>	Beneficial owner	3,255,360,000(L)	7.62%
Zheng Yan <i>(note 3) (note 5)</i>	Beneficial owner	3,255,360,000(L)	7.62%
Kuan Hsin Huei <i>(note 3)</i>	Beneficial owner	1,637,440,000(L)	3.83%
Ruan Xiaoping <i>(note 3)</i>	Beneficial owner	1,500,000,000(L)	3.51%
Chen Yingjiu <i>(note 3)</i>	Beneficial owner	602,400,000(L)	1.41%
Wang Jianjun <i>(note 3)</i>	Beneficial owner	300,000,000(L)	0.70%

**(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) (note 5)	29 March 2016	29 March 2016 to 28 March 2021	Beneficial owner	0.0125	569,760,000(L)	1.33%
Zheng Yan (note 3) (note 5)	29 March 2016	29 March 2016 to 28 March 2021	Beneficial owner	0.0125	569,760,000(L)	1.33%
Chen Yingjiu (note 3)	29 March 2016	29 March 2016 to 28 March 2021	Beneficial owner	0.0125	120,480,000(L)	0.28%
Wang Jianjun (note 3)	29 March 2016	29 March 2016 to 28 March 2021	Beneficial owner	0.0125	60,000,000(L)	0.14%

Notes:

- The letter "L" denotes the Shareholders' long position in the Shares.
- Honour Sky International Limited is a private company wholly and beneficially owned by China Technology Education Trust Association (the "Trust Association"). Accordingly, the Trust Association is interested in the Shares and the underlying Shares of the Company held by Honour Sky International Limited. The Trust Association is a society registered under the provisions of section 5A(1) of the Societies Ordinance in 2005, which is a charitable society providing charity and financial aid to technology education and employment in Hong Kong and Mainland China. Mr. Xiang is a chairman of the Trust Association.
- According to the disclosure of interest of the Stock Exchange, Kuan Hsin Huei, Ruan Xiaoping, Yu Bin, Zheng Yan, Chen Yingjiu and Wang Jianjun are the parties acting in concert. They are interested in shares of approximately 17.07% and in warrants of approximately 4.50% of the total issued share capital of the Company.
- The approximately percentage of interests in the Company is calculated on the basis of 42,716,118,022 Shares in issue as at 30 September 2019.
- According to the disclosure of interest of the Stock Exchange, Yu Bin and Zheng Yan are in the interest of children under 18 and/or spouse.

Save as disclosed above, as at 30 September 2019, 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 spouses 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 period under review.

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 extraordinary 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 of the nine months in 2019, zero units of bonus warrants has been exercised by warrant holders of the Company and 6,283,350,568 units of bonus warrants are outstanding as at 30 September 2019.

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 is 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 had 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 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 Group's unaudited consolidated results for the nine months ended 30 September 2019 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 are Mr. Xiang Xin (Chairman), Mr. Chan Cheong Yee and Mr. Yip Wing Ho, and the independent non-executive Directors are Mr. Wong Chung Kin, Quentin, Ms. An Jing, 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 Director

Hong Kong, 8 November 2019