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**CHINA TRENDS HOLDINGS LIMITED**

中國趨勢控股有限公司

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

**(Warrant Code: 8015)**

**(Stock Code: 8171)**

**UPDATE ON REVIEW HEARING BY GEM LISTING COMMITTEE**

Reference is made to the announcements (the “**Announcements**”) of China Trends Holdings Limited (the “**Company**”) dated 10 June 2019, 14 June 2019, 4 July 2019 and 23 August 2019 in relation to, inter alia, the decision of the Stock Exchange (“**Decision**”) to suspend trading in the shares of the Company under Rule 9.04 of the GEM Listing Rules. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

The review hearing of the Decision by the GEM Listing Committee was held on 29 October 2019. On 14 November 2019, the Company received the review decision (the “**Review Decision**”) from the GEM Listing Committee, which upheld the Listing Department’s Decision. The GEM Listing Committee arrived at its decision for the following reasons:

1. Over the years, the Company had only generated revenue from the trading business of the Company (“**Trading Business**”). The scale of operation for the Trading Business was limited and recorded only minimal profit or loss. Since commencement of the media business of the Company (“**Media Business**”) in 2009, the Company had not generated any revenue therefrom. The Company recorded net losses (save for the minimal profit of approximately HK\$1.1 million in 2018 after excluding non-recurring expenses) and mostly negative operating cash flow for each of the last five financial years. This situation did not appear to be a temporary downturn or decline. The Committee was concerned that both the Trading Business and the Media Business were of no substance, not viable and not sufficient to provide material profitability for the following reasons.
2. The Trading Business, being the sole source of the Company's revenue for years, was operated on an indent basis generating minimal segment profit or loss. The profit margin of this business had been thin and the recurring profit generated was not sufficient to cover the Company's corporate expenses. There had been no sign of improvement over the last five years. The Company relied on a very limited number of customers and suppliers. The Company's plan to expand customer base and increase funding was preliminary and generic. There was no information that the Company had secured a significant number of new customers or contracts. The Company had not demonstrated how these plans could secure a significant number of new customers, increase the scale of operation and improve the overall profitability.

3. Since 2009, it appeared that none of the Company's business plans had materialised into a revenue-generating business. As set out in the Company's submission dated 30 September 2019 (the "Submission"), the Company's new media e-commerce project in April 2019 had been suspended. Regarding the cooperative framework agreement with the counterparty to acquire an e-commerce convenience store business, no formal acquisition agreement had been signed. The Company's "Wealthstorm Platform" was expected to commence trial service only by December 2019. In any case, the Company had not projected any material revenue or profit from this segment. It was questionable that the Media Business was viable and sustainable and of substance.
4. The Company had forecasted to significantly increase its revenue of HK\$131 million to HK\$294 million in 2019 to 2021, which were solely attributable to the Trading Business. The Company was confident that the forecast for 2019 was achievable. According to the Submission, about 86.4% of the 2019 forecasted revenue was based on actual revenue recorded in the first half of 2019 and secured orders as at 30 September 2019. However, having noted the performance of the Trading Business in the past five years, and given the Company's reliance on a limited number of customers and suppliers and the thin profit margin of the Trading Business, the Committee was concerned whether the Trading Business was sufficient to provide material profitability.
5. As of 30 June 2019, the Company's total assets were HK\$125.9 million. It mainly consisted of trade receivables (HK\$45.6 million), cash and bank balances (HK\$14.3 million), intangible assets (HK\$15 million), investment in an associate (HK\$22.3 million) and equity investments at fair value through other comprehensive income (HK\$22.8 million). In light of the above, the Committee was concerned that the operations of these assets might not enable the Company to carry out businesses with sufficient level of operations to justify the continued listing of the Company's shares.
6. The Company asserted that its asset level would significantly increase if it was fully compensated from the litigation case with ATV. However, it was noted that the Company had only paid HK\$3 million under the agreement with ATV and in any event, the matter was subject to the outcome of the court proceedings.

The Board does not agree with the Review Decision made by the GEM Listing Committee using unverified, seeming, doubtful, questionable, and possibly subjective words. The Board considers that the Company has maintained a sufficient level of operations and tangible assets of sufficient value and/or intangible assets, which can be demonstrated under GEM Rule 17.26 to warrant the continued listing of its shares.

1. The GEM Listing Rule did not set out any quantitative requirement on the sufficiency of operation or assets. The revenue and net assets of the Company both exceed HK\$100 million, and the Company is basically debt free. Besides, after adjusting the non-recurring expenses, the Company has already recorded net profit, which outperformed majority of GEM listed issuers in Hong Kong. Therefore, the delisting decision by the Listing Department and the Listing Committee based on insufficiency of the operation or assets in relation to the Company has completely no reliable reasons.

2. At the time of the Listing Department making the Decision, GEM Rule 17.26 clearly stated the two characteristics of issuers' non-compliant with GEM Rule 17.26 include: (i) financial difficulties to an extent which seriously impairs an issuer's ability to continue its business or which has led to the suspension of some or all of its operations; and/or (ii) issuers which have net liabilities as at their balance sheet date i.e. issuers whose liabilities exceed their assets, i.e. negative assets. The Company falls into NONE of the characteristics. Therefore, the insufficiency of operation or assets under GEM Rule 17.26 is totally not applicable to the Company.
3. The customers and suppliers of the Company are genuine independent third parties such as state-owned enterprises and subsidiaries of A-share listed issuers in China. With more than ten years' of business relationship, the Company has in facts established a strong tie and stable cooperation relationship with its customers and suppliers. A decade of Trading Business with significant independent third parties can only be sustainable. The Listing Department's and Listing Committee's decision that the Company has no long-term contracts is inconsistent with its facts and its business is unsustainable is unfound .
4. The Media Business of the Company has been in cooperation with the famous media “暢讀”. According to the cooperation agreement, the huge amount of users of “暢讀” platform has been provided with linkage for access to the media platform of the Company. Besides, the ATV litigation case relating to substantial compensation claim by Company is progressing well. It cannot be considered that the expected claimed return could be small because the prepaid project deposit is not high. Therefore, it is anticipated that the value of the Company's media business can expect a substantial increase in value once the ATV litigation is ended. There has been no evidence that the Media Business would cease or fail in the future. All great companies, without exception, go even greater after going through a long-term loss.
5. The Trading Business was acquired by the Company in 2009 with the approval of the Stock Exchange. It has been operated for over ten years with improving operation. There has been no question, hint or whatsoever raised by the Listing Department on the Trading Business in the past ten years. Now, without any legal grounds and facts, the Listing Department's sudden counter-attack on the Company of insufficient operation and putting the Company into delisting stage without giving the Company any grace period to improve operations as in other similar cases is very unfair and very unreasonable to the Company and its shareholders.
6. The Company has many shareholders, including an Hong Kong Government recognized charitable organization holding 29.46%. The Shareholders undoubtedly acquired the shares of the Company based on the historical performance of the Company. No Shareholders and no one of the directors of the Company would expect that the Company would be suddenly delisted due to insufficiency of operation or assets after ten years of acquiescence of the Listing Department. The Decision is in breach of the reasonable expectation of all shareholders, which results in the media business partner's suspension of the cooperation and is in serious detriment of the interest of the Company and public shareholders.

The Company will appeal of the Review Decision, and is consulting its financial adviser on possible further actions to be taken.

The Company will make further announcement if and when there is any material development on the matter or otherwise as required by the GEM Listing Rules.

By order of the Board  
**China Trends Holdings Limited**  
**Xiang Xin**  
*Chairman and Chief Executive Officer*

Hong Kong, 14 November 2019

*As at the date of this announcement, the executive Directors are Mr. Xiang Xin (Chairman), Mr. Chan Cheong Yee and Mr. Yip, Wing Ho; the independent nonexecutive Directors are Mr. Wong Chung Kin, Quentin, Ms. An Jing and Mr. Chen Yicheng. Ms. Kung Ching is an alternate Director to Mr. Xiang Xin.*

*This announcement, for which the Directors collectively and individually accept full responsibilities, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM for the purpose of giving information with regards to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material aspects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumption that are fair and reasonable.*

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