



**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 2020**

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

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

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

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*This report, for which the directors of China Trends Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to China Trends Holdings Limited. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

**FINANCIAL HIGHLIGHTS**

- For the nine months ended 30 September 2020, the Group recorded a revenue of approximately HK\$124,182,000 (nine months ended 30 September 2019: HK\$111,567,000), representing an increase of 11.31% as compared to that of previous period.
- The Group's gross profit increased to approximately HK\$3,552,000 for the nine months ended 30 September 2020 from approximately HK\$3,317,000 for the nine months ended 30 September 2019, representing an increase of approximately 7.08% as compared to that of previous period.
- Loss attributable to owners of the Company for the nine months ended 30 September 2020 was approximately HK\$384,000 (nine months ended 30 September 2019: HK\$4,624,000), representing a decrease of approximately 91.70% as compared to that of previous period.
- For the nine months ended 30 September 2020, the net profit was approximately HK\$1,208,000 after deducting non-recurring expenses of approximately HK\$3,201,000, derived mainly from the litigation fee against Asia Television Limited and litigation fee for judicial review for listing status resumption.

**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 2020, together with the unaudited comparative amounts for the corresponding period in 2019, as follows:

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2020	2019	2020	2019
		HK\$'000 Unaudited	HK\$'000 Unaudited	HK\$'000 Unaudited	HK\$'000 Unaudited
<b>REVENUE</b>	4	<b>124,182</b>	111,567	<b>40,185</b>	40,264
Cost of sales		<b>(120,630)</b>	(108,250)	<b>(39,039)</b>	(39,119)
Gross profit		<b>3,552</b>	3,317	<b>1,146</b>	1,145
Other income and gains	4	<b>2,882</b>	2,145	<b>830</b>	1,616
Administrative and other expenses		<b>(8,305)</b>	(9,990)	<b>(2,768)</b>	(4,105)
Lease finance cost		<b>(122)</b>	(60)	<b>(73)</b>	(14)
<b>LOSS BEFORE TAX</b>	5	<b>(1,993)</b>	(4,588)	<b>(865)</b>	(1,358)
Income tax expenses	6	<b>-</b>	-	<b>-</b>	-
<b>LOSS FOR THE PERIOD</b>		<b>(1,993)</b>	(4,588)	<b>(865)</b>	(1,358)
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>					
Items that may be classified to profit or loss:					
Exchange differences on translation of foreign operations		<b>1,017</b>	(460)	<b>2,950</b>	(519)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>(976)</b>	(5,048)	<b>2,085</b>	(1,877)
<b>PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:</b>					
Owners of the Company		<b>(384)</b>	(4,624)	<b>773</b>	(1,379)
Non-controlling interests		<b>(1,609)</b>	36	<b>(1,638)</b>	21
		<b>(1,993)</b>	(4,588)	<b>(865)</b>	(1,358)

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		Nine months ended 30 September		Three months ended 30 September	
		2020	2019	2020	2019
Notes		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		Unaudited	Unaudited	Unaudited	Unaudited
<b>TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:</b>					
	Owners of the Company	633	(5,084)	3,723	(1,898)
	Non-controlling interests	(1,609)	36	(1,638)	21
		(976)	(5,048)	2,085	(1,877)
<b>PROFIT/LOSS PER SHARE</b>					
	Basis (HK cents per share)	7	(0.011)	0.002	(0.003)
	Diluted (HK cents per share)	7	N/A	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 ("HKAS") 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 2019.

### 2.2. ACCOUNTING POLICIES

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2020. 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.

## 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 and e-commerce platforms and media advertising business.

**Nine months ended 30 September 2020 (Unaudited)**

	Trading business HK\$'000	Media business HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	124,182	–	124,182
Segment results	3,552	–	3,552
Reconciliation:			
Other income and gains			2,882
Unallocated expenses			(8,427)
Loss before tax			(1,993)
Income tax expenses			–
Loss for the period			(1,993)

**Nine months ended 30 September 2019 (Unaudited)**

	Trading business HK\$'000	Media business HK\$'000	Total HK\$'000
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)

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

	Nine months ended 30 September				Three months ended 30 September			
	2020		2019		2020		2019	
	HK\$'000 Unaudited	%	HK\$'000 Unaudited	%	HK\$'000 Unaudited	%	HK\$'000 Unaudited	%
Hong Kong	–	–	–	–	–	–	–	–
Mainland China (excluding HK)	124,182	100	111,567	100	40,185	100	40,264	100
	124,182	100	111,567	100	40,185	100	40,264	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	
	2020 HK\$'000 Unaudited	2019 HK\$'000 Unaudited	2020 HK\$'000 Unaudited	2019 HK\$'000 Unaudited
<b>Revenue</b>				
Sales of goods	124,182	111,567	40,185	40,264
<b>Other income and gains</b>				
Bank interest income	116	131	6	10
Others	2,766	2,014	824	1,606
	<b>2,882</b>	<b>2,145</b>	<b>830</b>	<b>1,616</b>

#### 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	
	2020 HK\$'000 Unaudited	2019 HK\$'000 Unaudited	2020 HK\$'000 Unaudited	2019 HK\$'000 Unaudited
Cost of sales	120,630	108,250	39,039	39,119
Auditors' remuneration	342	301	114	95
Depreciation	96	120	15	37
Depreciation on right-of-use assets	1,313	1,437	537	479
Employee benefits expense (including directors' remuneration)				
– wages, salaries and allowances	836	933	368	399
– other benefits in kind	101	75	36	29
– pension scheme contributions	25	69	9	27
	<b>123,343</b>	<b>111,185</b>	<b>40,118</b>	<b>40,185</b>
Minimum lease payments under operating lease in respect of land and buildings	–	–	–	–



## 6. INCOME TAX EXPENSES

No provision for taxation has been made since the Company has tax loss during the nine months ended 30 September 2020 (nine months ended 30 September 2019: 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 profit/loss attributable to owners of the Company and the weighted average number of ordinary shares in issue during the nine months ended 30 September 2020 and 30 September 2019.

The calculations of basic loss per share are based on:

	Nine months ended 30 September		Three months ended 30 September	
	2020 HK\$'000 Unaudited	2019 HK\$'000 Unaudited	2020 HK\$'000 Unaudited	2019 HK\$'000 Unaudited
Profit/(loss) attributable to owners of the Company, used in the basic loss per share calculation	(384)	(4,624)	773	(1,379)

	Number of shares		Number of shares	
	Nine months ended 30 September		Three months ended 30 September	
	2020 Unaudited	2019 Unaudited	2020 Unaudited	2019 Unaudited
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	42,716,118,022	42,716,118,022	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	Non- Controlling interests HK\$'000	Total HK\$'000
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	(315,058)
At 1 January 2020 (Audited)	298,065	10,448	643	11,157	(1,638)	(632,481)	(313,806)	1,526	(312,280)
Loss for the period	-	-	-	-	-	(384)	(384)	(1,609)	(1,993)
Other comprehensive income	-	-	1,017	-	-	-	1,017	-	1,017
Total comprehensive income/ (loss) for the period	-	-	1,017	-	-	(384)	633	(1,609)	(976)
Issue of shares upon exercise of bonus warrants	-	-	-	-	-	-	-	-	-
Issued share option	-	-	-	-	-	-	-	-	-
At 30 September 2020 (Unaudited)	298,065	10,448	1,660	11,157	(1,638)	(632,865)	(313,173)	(83)	(313,256)

**DIVIDEND**

The Directors do not recommend the payment of any dividend for the nine months ended 30 September 2020 (nine months ended 30 September 2019: Nil).

**FINANCIAL REVIEW**

For the nine months ended 30 September 2020, the Group recorded a revenue of approximately HK\$124,182,000 (nine months ended 30 September 2019: HK\$111,567,000), representing an increase of 11.31% as compared to that of previous period.

The Group's gross profit increased to approximately HK\$3,552,000 for the nine months ended 30 September 2020 from approximately HK\$3,317,000 for the nine months ended 30 September 2019, representing an increase of approximately 7.08% as compared to that of previous period.

Loss attributable to owners of the Company for the nine months ended 30 September 2020 was approximately HK\$384,000 (nine months ended 30 September 2019: HK\$4,624,000), representing a decrease of approximately 91.70% 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. The net profit for the first nine months of 2020 was approximately HK\$1,208,000 after deducting non-recurring expenses of approximately HK\$3,201,000, derived mainly from the litigation fee against Asia Television Limited and litigation fee for judicial review for listing status resumption.

**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 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.

On 7 April 2020, the Company was informed by Mr. Li, that Shen Zhen HengKangda had been actively pushing forward the Framework Agreement entered into between Shen Zhen HengKangda and the Company. As the Company's share has been suspension of trading decided by The Stock Exchange of Hong Kong Limited from 11 March 2020, Shen Zhen HengKangda considers suspending the aforementioned cooperation projects and looks forward to promoting new cooperation the next step after the Company's development being clearer.

2. On 6 November 2019, Boss Dream (China) Limited ("Boss China"), a subsidiary of the Company entered into a framework agreement (the "Framework Agreement") with Winn Tech-Winn Technology Co., Ltd. ("Winn Tech-Winn") in relation to electric products trading business, pursuant to which both parties agreed to cooperate in the following 10 years on electric products trading business. In the ten years from 1 November 2019 to 31 October 2029, Winn Tech-Winn would purchase the total value of goods from Boss China for approximately RMB200 million per year (including applicable value-added tax at that time). The actual payment amount would subject to the purchase order amount issued by Winn Tech-Winn.

On 9 April 2020, Boss China was informed by Winn Tech-Winn, that Winn TechWinn had been actively pushing forward the implementation of the Framework Agreement between Winn Tech-Winn and Boss China. As the Company's share has been suspension of trading decided by the Stock Exchange from 11 March 2020, Winn Tech-Winn considers suspending the aforementioned cooperation project and looks forward to promoting new cooperation when there is new opportunity in the future.

**PROSPECT**

The trading business of the Group has been developing steadily in the past 10 years and will have better development in the following 10 years.

In the environment of the global epidemic, a series of protests and related social events caused by the Amendments to the Fugitive Offenders Ordinance, the continuous Sino-US Trade War, and the decision of the Stock Exchange for the Company to enter into the delisting process, three big contracts having been suspended by the business partners, the Group still achieved a continuous performance improvement compared to the same period last year, which fully demonstrates the growth of the Group's business.

The Group will continue to develop media and e-commerce 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 had received a letter (the "Letter") dated 10 June 2019 from the Stock Exchange which served as a notice pursuant to Rule 9.15 of the GEM Listing Rules, stating that the Stock Exchange considered that the Company had 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 had therefore decided to suspend trading in the Shares under Rule 9.04 of the GEM Listing Rules and proceeded with cancellation of the Company's listing under Rule 9.14 of the GEM Listing Rules (the "Decision").

The Company had submitted a written request to the GEM Listing Committee (the "GEM Listing Committee") of the Stock Exchange 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 had 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 Mainland China, was 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 were, inter alia, (i) the Company had significant business and net assets value; (ii) the Company's losses had been reducing in the past few years and had become profitable for the six months ended 30 June 2019 excluding non-operational and non-recurring expenditure, (iii) the Stock Exchange had not raised any concerns over the operation sufficiency of the Company in the past 10 years, so the Decision were abrupt and unreasonable; and (iv) given the Company's financial conditions were not in deterioration, CTE had legitimate expectation of continued listing of the shares of the Company.

On 10 October 2019, CTE informed the Company that on 23 September 2019 the High Court of Hong Kong notified CTE its direction to adjourn the JR Application until the conclusion of the review hearing of the Decision. 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.

On 21 November 2019, the Company had filed an application for a further review of the Decision by the GEM Listing Review Committee.

On 4 December 2019, the review hearing of the Decision by the GEM Listing Review Committee was scheduled on 25 February 2020.

On 13 December 2019, the Company was informed by CTE that the High Court of Hong Kong had directed the JR Application to be further adjourned until the review of the Stock Exchange Decisions by the GEM Listing Review Committee determined.

On 25 February 2020, the review hearing (the "Review Hearing") of the Decision by the GEM Listing Review Committee (the "Review Committee") was held on time.

On 10 March 2020, the Company received a letter (the "Letter") from the Review Committee, stating that the Review Committee was of the view that the Company failed to maintain a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated under GEM Rule 17.26 to warrant the continued listing of its shares. The Review Committee therefore decided to uphold the Decision to suspend trading in the Company's 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 "Review Committee Decision").

According to the Letter, the Company was required to re-comply with Rule 17.26 of the GEM Listing Rules by carry out, directly or indirectly, a business with a sufficient level of operations and assets of sufficient value to support its operations to warrant the continued listing of the Shares. In the event that the Company failed to do so by the expiry of the 12-month period, the Stock Exchange would proceed with the cancellation of the Company's listing status.

Taking into account the financial performance and position for the recent years, in particular (i) the Company reported revenue of HK\$87.0 million, adjusted net profit of HK\$1.1 million and net assets of HK\$117.2 million with no debt for the year ended 31 December 2018; and (ii) the Group recorded a revenue of approximately HK\$152.5 million and adjusted net profit of approximately HK\$1.4 million and net assets of HK\$114.9 million with no debt for the year ended 31 December 2019. Hence, the Company's operation and assets (even without taking into account the Group's possible receivable and compensation from the ATV litigation case and the Group's intangible assets of the media e-commerce project) had been far above the requirements under the GEM Listing Rule 17.26 as at the time of Decision (which required GEM listed issuers to have sufficient operation or tangible/intangible assets only, but not both).

The Company expressed its shock and regret that the Review Committee ignored the defense opinions made by the Company in accordance with Rule 17.26 of the GEM Listing Rules, and in particular made the Review Committee Decision in disregard of the substantial increase in the Company's operating revenue and gross profit last year. After consulting its financial advisers and legal advisers, the Company filed a judicial review of the Review Committee Decision in the High Court of Hong Kong.

Trading in the shares and warrants of the Company was suspended commencing since 9:00 a.m. on 11 March 2020.

On 5 May 2020, the Company received a letter from the Stock Exchange setting out the resumption guidance for the resumption of trading in the shares of the Company: "demonstrate its compliance with GEM Rule 17.26". Under GEM Rule 9.14A(1), the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 12 months. In the case of the Company, the 12-month period expires on 10 March 2021. If the Company fails to remedy the issue(s) causing its trading suspension, fully comply with the GEM Listing Rules to the Stock Exchange's satisfaction and resume trading in its shares by 10 March 2021, the Listing Division of the Stock Exchange will recommend the GEM Listing Committee to proceed with the cancellation of the Company's listing. Under GEM Rule 9.15, the Stock Exchange has the right to impose a shorter specific remedial period, where appropriate.

On 5 May 2020, the Company has engaged legal advisers to file its application (Action No.: HCAL 818/2020) (the “Judicial Review Case”) for leave to apply for judicial review against the Review Committee Decision in the High Court of Hong Kong (the “High Court”) on the following grounds:

- (1) The Review Committee Decision is Wednesbury Unreasonable and has failed to take into account relevant considerations which should be done.
  - 1) After analyzing the financial situation (including assets, income and profits) of the Company and its subsidiaries (collectively, the “Group”), no rational decision maker can reasonably make this decision.
  - 2) With reference to recent years’ and the latest data on assets, income and profits of the Group, including the written submissions submitted by the Company to the Review Committee in which the financial status of the Group is mentioned, and comparing the financial data of those listed companies that were delisted in the past. It is showed that the Group is not an extreme case and has a large number of assets that can generate sufficient revenue and profits.
- (2) The Review Committee Decision is of Procedural Unfairness on the basis of legitimate expectation and inadequacy of reasons.
  - 1) The Company and its shareholders have legitimate expectation. That is to say, the Company’s stock trading can be continued on the condition that the Company’s financial situation has not changed significantly compared to the past ten years and the GEM Listing Rules remain unchanged.
  - 2) Based on the principle of procedural justice, any reason for making decision needs to be sufficient and clear.

On 7 May 2020, the Company received a letter (the “Case Letter”) from the High Court in relation to the Judicial Review Case. In the letter, the High Court made the following directions (“Court Directions”):

- “1. There shall be a rolled-up hearing of (i) the application for leave to apply for judicial review; (ii) the substantive application for judicial review, with 1 day reserved.*
- 2. The Applicant shall serve the papers filed in this application on the Putative Respondent within 14 days from the date hereof.*
- 3. The Parties shall submit to the court agreed directions for the further conduct of this application within 28 days after the date of services of documents under paragraph 2 above. In the event that directions could not be agreed, the Applicant shall be at liberty to fix a 30-minute hearing for further directions.”*



On 8 May 2020, the Company has served the copy of papers filed in the Judicial Review Case on the Putative Respondent, the Stock Exchange, according to the Court Directions. The judicial review has been scheduled for hearing on 9 October 2020, at 10:00am, with 1 day reserved.

On 9 October 2020, the judicial review hearing has been done in the Hong Kong High Court. It is currently waiting for the results of the judicial review hearing.

For details, please refer to the announcements of the Company dated 10 June 2019, 14 June 2019, 4 July 2019, 23 August 2019, 10 October 2019, 14 November 2019, 21 November 2019, 4 December 2019, 13 December 2019, 10 March 2020, 11 March 2020, 5 May 2020, 17 May 2020, 10 June 2020, 12 June 2020 and 10 September 2020.

#### **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 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. Both the Company and ATV have since exchanged pleadings, completed discovery and exchanged witness statements.

During the period of 2017, the Company had commissioned independent valuer to evaluate the Expected Income.

On 24 July 2017, ATV filed a defense, arguing that the amount of compensation should be determined in accordance with the expected profits agreed in the Equity Transfer Agreement, rather than determining the amount of compensation in accordance with the assets expected to be owned by ATV CEPA.

On 22 August 2017, the Company submitted a revised claim statement (the “First Amendment Claim”) to the High Court of Hong Kong, which was revised to be based on the expected profits of ATV CEPA in the internet television business. The specific amount was based on the evaluation results of a third-party independent valuer.

The Company submitted further revised applications to the High Court of Hong Kong on 16 April 2018, 28 April 2018 and 17 May 2018 respectively for further clarification to certain descriptions of the First Amendment Claim.

In January 2019, the third-party independent valuer had given preliminary evaluation results.

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

On 24 September 2019, the former appraisal firm (the “Former Appraisal Firm”) informed the Company that it would terminate the valuation contract entered with the Company on 26 November 2018, due to its internal organizational reorganization. Hence it would no longer serve as the expert for the Company nor for ATV.

On 25 September 2019, the High Court of Hong Kong held a hearing on matters of the expert reports for the Case to be filed by both parties, and issued an order (the “Court Order”) on that matters:

1. The parties shall identify their respective experts within 42 days from the date of receiving the Court Order;
2. The Company shall firstly file its expert report (the “Plaintiff Expert Report”) within 84 days after identifying its experts;

3. ATV can be at liberty to serve its expert report (the “Defendant Expert Report”) in response within 84 days after receiving the Plaintiff Expert Report;
4. In the event ATV serves the Defendant Expert Report, both parties shall hold a joint meet (the “Joint Meeting”) on a without prejudice basis and with a view to agreeing or narrowing down the issues in disputes within 28 days thereafter;
5. Within 28 days after the Joint Meeting, both parties shall provide a signed joint expert report.

On 30 October 2019, a new appraisal firm (the “New Appraisal Firm”) being replacement of the Former Appraisal Firm, was appointed by the Company as the experts and was responsible for preparing expert report.

On 5 November 2019, the Company filed the particulars of the Company’s experts to the High Court of Hong Kong.

On 6 November 2019, the Company received a notification from ATV in which ATV had appointed its experts.

On 19 February 2020, the Company had officially received an expert report issued by the New Appraisal Firm and sent it to the Defendant ATV on the same day, for the purpose of evaluating the assessed value of the Company’s loss of profits reasonably contemplated under the Equity Transfer Agreement.

On 31 August 2020, ATV already sent its expert’s valuation report to the Company and deposited the same in the court. The experts of both parties have been in the process of compiling a joint valuation report.

Both parties to the Case are currently advancing the Case pursuant to the Court Order.

#### **DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS IN SHARE CAPITAL**

As at 30 September 2020, 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%
Qin Han	18 May 2020	18 May 2020 to 17 May 2030	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 2020, 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 2020, 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 (note 4)
Honour Sky International Limited (note 2)	Beneficial owner	12,583,683,830(L)	29.46%
China Technology Education Trust Association (note 2)	Interest of controlled corporation	12,583,683,830(L)	29.46%
Yu Bin (note 3) (note 5)	Beneficial owner	3,255,360,000(L)	7.62%
Zheng Yan (note 3) (note 5)	Beneficial owner	3,255,360,000(L)	7.62%
Kuan Hsin Huei (note 3)	Beneficial owner	1,637,440,000(L)	3.83%
Ruan Xiaoping (note 3)	Beneficial owner	1,500,000,000(L)	3.51%
Chen Yingjiu (note 3)	Beneficial owner	602,400,000(L)	1.41%
Wang Jianjun (note 3)	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 Xin 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 as disclosed by themselves.
- 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 2020.
- 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 2020, 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 2020, 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 2020.

## 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.
3. The Company failed to renew the Directors' & Officers' Management Liability Insurance policy after its expiration on 20 February 2020. Such practice deviates from the provision A.1.8 of the CG Code which requires that an issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Board had tried all their efforts to seek renewal quotation from insurers but no positive response. The Company has lodged a complaint with the Hong Kong Insurance Authority. The Company will continue to seek all possible solutions to solve this non-compliance matter.



**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. Qin Han and Mr. Chen Yicheng as the members.

The Group's unaudited consolidated results for the nine months ended 30 September 2020 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. Wong Chung Kin, Quentin, Ms. Qin Han 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 Director*

Hong Kong, 6 November 2020