



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)

FIRST QUARTERLY REPORT 2021

CHARACTERISTICS OF 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 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 that the 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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The board (the “Board”) of directors (the “Directors”) of China Trends Holdings Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (together, the “Group”) for the three months ended 31 March 2021, together with the unaudited comparative figures for the corresponding period in 2020, as follows:

	Notes	Three months ended 31 March	
		2021 HK\$'000 Unaudited	2020 HK\$'000 Unaudited
REVENUE	3	43,012	40,324
Cost of sales		(41,775)	(39,170)
Gross profit		1,237	1,154
Other income and gains	3	9	1,036
Administrative and other operating expenses		(4,636)	(3,593)
Finance lease charge		(61)	(4)
LOSS BEFORE TAX		(3,451)	(1,407)
Income tax expenses	4	–	–
LOSS FOR THE PERIOD		(3,451)	(1,407)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Item that may be classified to profit or loss:			
Exchange differences on translation of foreign operations		683	(2,111)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(2,768)	(3,518)

		Three months ended 31 March	
		2021	2020
<i>Notes</i>		HK\$'000	HK\$'000
		Unaudited	Unaudited
(LOSS)/INCOME FOR THE PERIOD			
ATTRIBUTABLE TO:			
	Owners of the Company	(3,455)	(1,420)
	Non-controlling interests	4	13
		(3,451)	(1,407)
TOTAL COMPREHENSIVE (LOSS)/INCOME			
FOR THE PERIOD ATTRIBUTABLE TO:			
	Owners of the Company	(2,772)	(3,531)
	Non-controlling interests	4	13
		(2,768)	(3,518)
LOSS PER SHARE ATTRIBUTABLE			
TO OWNERS OF THE COMPANY			
	– Basic (HK cents per share)	(0.008)	(0.003)
	– Diluted (HK cents per share)	N/A	N/A

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Notes:

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Cayman Islands. The registered office of the Company is located at Sinclair Group Centre, 3rd Floor Genesis Building, Genesis Close, P.O. Box 498, George Town, Grand Cayman KY1-1106, 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 and media advertising services. The shares of the Company have been listed on the GEM of the Stock Exchange since 31 July 2002.

2. BASIS OF PREPARATION

The Group's unaudited consolidated results for the three months ended 31 March 2021 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, and accounting principles generally accepted in Hong Kong. The accounting policies adopted in preparing these first quarterly results are consistent with those used in the Company's annual audited consolidated financial statements for the year ended 31 December 2020. The first quarterly results are unaudited but have been reviewed by the Company's audit committee.

3. 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:

	Three months ended	
	31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Unaudited
Revenue		
Sales of goods	43,012	40,324
Other income and gains		
Bank interest income	8	31
Surcharge income	0	956
Others	1	49
	9	1,036

4. INCOME TAX EXPENSES

No provision for taxation has been made since the Company has tax loss during the three months ended 31 March 2021 (2020: Nil). Tax arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

5. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share for the three months ended 31 March 2021 is based on the unaudited loss attributable to owners of the Company for the three months ended 31 March 2021 of approximately HK\$3,455,000 (2020: HK\$1,420,000) and the weighted average number of 42,734,218,022 ordinary shares in issue during the three months ended 31 March 2021 (2020: 42,716,118,022).

No adjustment has been made to the basic loss per share for the three months ended 31 March 2021 and three months ended 31 March 2020 in respect of a dilution as the share options during the period had an anti-dilutive effect on the basic loss per share.

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6. RESERVES AND NON-CONTROLLING INTERESTS

	Attributable to owners of the Company						Total	Non-controlling interests	Total
	Share premium	Share option reserve	Foreign currency translation reserve	Special reserve	Capital reserve	Accumulated losses			
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	
As at 1 January 2020 (Audited)	298,065	10,448	643	11,157	(1,638)	(632,481)	(313,806)	1,526	(312,280)
(Loss)/Income for the period	-	-	-	-	-	(1,420)	(1,420)	13	(1,407)
Other comprehensive loss	-	-	(2,111)	-	-	-	(2,111)	-	(2,111)
Total comprehensive (loss)/income	-	-	(2,111)	-	-	(1,420)	(3,531)	13	(3,518)
As at 31 March 2020 (Unaudited)	298,065	10,448	(1,468)	11,157	(1,638)	(633,901)	(317,337)	1,539	(315,798)
As at 1 January 2021 (Audited)	298,065	10,088	4,230	11,157	(1,638)	(635,843)	(313,941)	1,575	(312,366)
(Loss)/Income for the period	-	-	-	-	-	(3,455)	(3,455)	4	(3,451)
Other comprehensive loss	-	-	683	-	-	-	683	-	683
Total comprehensive (loss)/income	-	-	683	-	-	(3,455)	(2,772)	4	(2,768)
Exercise of bonus warrants	45	-	-	-	-	-	45	-	45
As at 31 March 2021 (Unaudited)	298,110	10,088	4,913	11,157	(1,638)	(639,298)	(316,668)	1,579	(315,089)

DIVIDEND

The Directors do not recommend the payment of any dividend for the three months ended 31 March 2021 (2020: Nil).

FINANCIAL REVIEW

For the three months ended 31 March 2021, the Group recorded a revenue of approximately HK\$43,012,000 (2020: HK\$40,324,000), representing an increase of approximately 6.66% as compared to that of previous period.

Loss attributable to owners of the Company for the three months ended 31 March 2021 was approximately HK\$3,455,000 (2020: HK\$1,420,000).

The adjusted net loss for the period ended 31 March 2021 was approximately HK\$565,000 after deducting non-recurring expenses of approximately HK\$2,886,000, derived mainly from the litigation fee against Asia Television Limited (“ATV”) and litigation fee against judicial review for listing status resumption, as compared to the adjusted net profit of approximately HK\$346,000 of previous period after deducting non-recurring expenses of approximately HK\$1,753,000 derived mainly from the litigation fee against ATV and litigation fee against 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 and media advertising services.

1. On 1 March 2021, the Company entered into a cooperation agreement (“Cooperation Agreement”) with 創新未來有限公司 (“Innovation Future”), Mr. Wong Wai Man and Ms. Lau Nga Sze so as to expand the business scale of the Company. Pursuant to the Cooperation Agreement, any electronic products with innovative materials or consumer products that have been approved by the Company and have overseas markets (in countries or regions other than Mainland China) can be developed and produced by Innovation Future. Innovation Future is responsible for the sales of the above-mentioned products in the overseas market, and the Company is responsible for arranging sales in the Mainland China market (only sell to companies designated or approved by the Company). No matter which market it is sold to, Innovation Future guarantees that the gross margin of sales will not be less than 10%, and for the first year of sales, the total sales revenue will not be less than HK\$50 million, and after that the total sales revenue every year will not be less than HK\$100 million.

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.

Taking into account the financial performance and position for the recent years, in particular (i) the Company reported revenue of approximately HK\$87.0 million, adjusted net profit of approximately HK\$1.1 million and net assets of approximately 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 approximately HK\$114.9 million with no debt for the year ended 31 December 2019; (iii) the Group recorded a revenue of approximately HK\$40.324 million and adjusted net profit of approximately HK\$0.346 million for the period ended 31 March 2020, comparing to a revenue of approximately HK\$30.219 million and adjusted net loss of approximately HK\$0.373 million for the period ended 31 March 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. The Company was consulting its financial advisers and legal advisers for filing 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 from 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 rolled-up hearing of the leave application and the application for judicial review of the Review Committee Decision was heard before the High Court of Hong Kong.

On 8 December 2020, the High Court of Hong Kong handed down its judgment (the "Judgment"). Pursuant to the Judgment, the application for leave to apply for judicial review is granted on the basis that the intended application for judicial review is reasonably arguable and has a realistic prospect of success. However, the application for judicial review of the Review Committee Decision is dismissed again upon consideration of the merits by the Court.

The Company is really surprised by the content of the Judgment. According to Article 59 of the Rules of the High Court, Cap. 4A of the Laws of Hong Kong, the Company can appeal against the Judgment within 28 days after receiving the Judgment, i.e. on or before 5 January 2021.

On 29 December 2020, the Company lodged an appeal (the "Appeal"; Appeal No. CACV 652/2020) against the Judgement of the Judicial Review in the High Court of Hong Kong according to Order 59 of the Rules of the High Court, Cap. 4A of the Laws of Hong Kong. The grounds for the Appeal include but not limited to:

Ground 1: GEM Listing Review Committee's Decision irrational and Wednesbury unreasonable; wrong test applied

The judge at the Court of First Instance (the "Judge") and the Stock Exchange had essentially (and wrongly) applied the amended GEM Rule 17.26 (amendment effective from 1 October 2019 and not applicable to the present case).

The effective GEM Rule 17.26 when the Stock Exchange made its decision required: An issuer shall carry out, directly or indirectly, a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value. And the Characteristics of issuers which are unable to comply with 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.

The Company has never experienced any one of the Characteristics of issuers which are unable to comply with rule 17.26 as said above.

Ground 2: Procedural unfairness, and inadequate reasons

The Judge erred in law in wrongly rejecting the Company's complaint based on the GEM Listing Review Committee's failure to give adequate and intelligible reasons, and on procedural unfairness.

The GEM Listing Review Committee failed to give adequate reasons while making Review Decisions, particularly when most part of paragraphs of the Review Decision dated 10 March 2020 by the GEM Listing Review Committee appear to be a verbatim copy of or copied from contents in a report dated 12 December 2019 done by the GEM Listing Department.

The Judge erred in procedure for not taking into account the following contents:

- (1) The GEM Listing Review Committee's deviation from the relevant law, guidance and practice, namely their deviation from the effective GEM Rule 17.26 and their taking into account of something irrelevant to the GEM Rule 17.26.
- (2) The GEM Listing Review Committee's failure to address the "comparable" argument raised by the Company before the GEM Listing Review Committee, although the Company specifically submitted that "the results of the Company for FY2019 outperformed 143 to 233 of the 385 GEM listed issuers.

In any event, the duty to give reasons is imposed to foster a desirable intellectual discipline and concentration on the relevant issues, to demonstrate that a tribunal has carried out its task properly, and to promote and enhance consistency in decision making. This also enables a person adversely affected by a decision to know whether the decision-maker has addressed his grievance, and whether there may be any basis for challenging the decision.

The Judge ought to have held that the GEM Listing Review Committee failed to give adequate reasons, particularly as to:

- (1) Any material difference and/or changes in the financial positions of the Company since its business in 2009 justifying the Review Decision.
- (2) The relevant matters raised in Ground 1 hereinabove and submitted by the Company in the review hearing.
- (3) The Company's "comparable" argument stated hereinabove.
- (4) How the Company fell within the category of an extreme case under GEM Rule 17.26. The GEM Listing Review Committee needs to address the issue of whether the Company fell within the category of an extreme case under GEM Rule 17.26 in view of shareholders' interests (including a substantial shareholder which is a charitable organization. Particularly in view of (a) the legitimate expectation engendered by the fact that the Exchange had not raised any issue in the past 10 years, especially when the track record period is only 3 years; and (b) the fact that the Company was not given a grace period of 12 months within which to comply with GEM Rule 17.26 before invoking GEM Rule 9.04 to suspend trading of the Company, as is given to other listed issuers in similar situation.

Ground 3: Any deference impermissible on matters of law

Ground 1 hereinabove concerns the correct approach to be adopted when applying GEM Rule 17.26, and ground 2 hereinabove concerns the duty to give reasons imposed by the law.

In the premises, any deference to the professional judgment of the GEM Listing Review Committee cannot be justified, as “where no particular expertise is required to reach a conclusion of fact and that conclusion is challenged as being irrational, there is no reason to approach the matter in any different way from that generally applied in judicial review claims”.

The Appeal was heard by the High Court of Appeal at 10:00 a.m. on 29 April 2021 by way of the video conference.

On 8 March 2021, the Company submitted a resumption proposal to the Stock Exchange in support of the resumption of trading in the shares of the Company. On 16 April 2021, the Company received a letter from the Stock Exchange, which stated that the GEM Listing Committee of the Stock Exchange decided to cancel the listing of the Company’s shares under GEM Listing Rule 9.14A and/or Rule 9.14 (the “Delisting Decision”). The Company puzzles that the GEM Listing Committee has made the Delisting Decision directly before Court of Appeal of the High Court makes a ruling.

On 27 April 2021, the Company submitted to the Stock Exchange a request for a review of the Delisting Decision by the GEM Listing Review Committee pursuant to Rule 4.06(2) of the GEM Listing Rules.

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, 10 September 2020, 8 December 2020, 31 December 2020, 10 March 2021, 18 April 2021 and 27 April 2021.

UPDATE ON LEGAL PROCEEDING AGAINST ATV

On 8 November 2015, the Company conditionally entered into an agreement with ATV in relation to the transfer of 100% equity interest of ATV CEPA Promotion Limited (“ATV CEPA”), a wholly owned subsidiary of ATV (“Equity Transfer Agreement”).

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 had issued the Debt Restructuring Proposal to the Provisional Liquidators of ATV. The Debt Restructuring Proposals were 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 Liquidators of ATV that after consulting the views of the main creditor of ATV, and considering all other factors, the Provisional Liquidators 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 High Court of Hong Kong 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 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.

On 27 October 2020, both parties completed the joint valuation report.

On 24 December 2020, there will be a case management conference on 14 July 2021 as directed by the court.

On 16 March 2021, the court approved both parties to submit further witness statement based on the consent of both parties.

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

PROSPECT

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

In the environment of the global pandemic, 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 continuing performance improvement, which fully demonstrates the growth of the Group’s business.

The Group will continue to expand the trading business and the media business, 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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2021, the interests of the Directors or chief executive and their associates in the ordinary shares of HK\$0.01 each (the "Shares") and underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Director	Date of grant	Exercise period	Nature of interest	Exercise price per share 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 owner	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 owner	0.025	60,000,000(L)	0.14%
Chen Yicheng	6 July 2014	6 July 2014 to 5 July 2024	Beneficial owner	0.025	60,000,000(L)	0.14%

Notes:

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

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

As at 31 March 2021, according to the register kept by the Company pursuant to section 336 of SFO, and so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any member of the Company:

(I) INTEREST IN ISSUED SHARES

Name	Nature of interest	Number of shares held	Approximately percentage of interest (note 4)
Honour Sky International Limited (note 2)	Beneficial owner	12,583,683,830(L)	29.45%
China Technology Education Trust Association (note 2)	Interest of controlled corporation	12,583,683,830(L)	29.45%
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%

Notes:

1. The letter “L” denotes the Shareholders’ long position in the Shares.
2. Honour Sky International Limited is a private company wholly and beneficially owned by China Technology Education Trust Association (the “Trust Association”). Accordingly, the Trust Association is interested in the Shares and the underlying Shares of the Company held by Honour Sky International Limited. The Trust Association is a society registered under the provisions of section 5A(1) of the Societies Ordinance in 2005, which is a charitable society providing charity and financial aid to technology education and employment in Hong Kong and Mainland China. Mr. Xiang Xin is a chairman of the Trust Association.
3. According to the disclosure of interest of the Stock Exchange, Kuan Hsin Huei, Ruan Xiaoping, Yu Bin, Zheng Yan, Chen Yingjiu and Wang Jianjun are the parties acting in concert. They are interested in shares of approximately 17.07% of the total issued share capital of the Company.
4. The approximately percentage of interests in the Company is calculated on the basis of 42,734,218,022 Shares in issue as at 31 March 2021.
5. According to the disclosure of interest of the Stock Exchange, Yu Bin and Zheng Yan are in the interests of Children under 18 and/or spouse.

Save as disclosed above and so far as is known to the Directors or chief executive of the Company, as at 31 March 2021, there is no person (other than a Director or chief executive of the Company), had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying rights to vote in all circumstances at general meeting of any other member of the Group.

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 part of the business of the Company were entered into or existed during the period under review.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company or their respective associates as defined in the GEM Listing Rules had any interest in business that competed or might compete with business of the Group during the period under review.

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.

However, due to the fact that 28 March 2021 was not a business day, the 2021 Warrants would expire on the next business day after such day pursuant to the Instrument, i.e. at 4:00 pm. on Monday, 29 March 2021. Thereafter, any Subscription Rights which had not been exercised by 4:00 p.m. on Monday, 29 March 2021 would lapse and the certificates of the 2021 Warrant would cease to be valid for any purpose.

After ordinary resolution has been passed at extra ordinary general meeting on 7 March 2016 to approve the bonus warrants issue, 8,159,991,432 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 first three months in 2021, 18,100,000 units of bonus warrants has been exercised by warrant holders of the Company and zero units of bonus warrants are outstanding as at 31 March 2021.

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 was the Chairman of the Board and Chief Executive Officer of the Company during the period ended 31 March 2021. Such practice deviates from code provision A.2.1 of the CG Code which requires that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. After evaluation of the current situation of the Company and taking into account of the experience and past performance of Mr. Xiang, the Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Mr. Xiang to hold both positions as the Chairman and the Chief Executive Officer of the Company as it helps to maintain the continuity of the policies and the stability of the operations of the Company.
2. The Company has no fixed terms of appointment for non-executive Directors. The independent non-executive Directors are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the relevant article under the Articles of Association of the Company. Such practice deviates from the provision A.4.1 of the CG Code which requires that non-executive Directors be appointed for a specific term. The Board has discussed and concluded the current practice of appointing independent non-executive Directors without specific terms but otherwise subject to rotation and re-election by shareholders is fair and reasonable, and does not intend to change the current practice at the moment.

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 quotation from insurers but no positive response. The main concerns of the insurers are: (i) the Company being in the process of delisting decided by the Stock Exchange; (ii) the false news reports about the Company. The Company will continue to seek all possible solutions to solve this incompliance 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 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 member.

The Group's unaudited consolidated results for the three months ended 31 March 2021 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 Director of the Company is Mr. Xiang Xin (Chairman); the non-executive Director of the Company is 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 Officer

Hong Kong, 7 May 2021