



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 2018

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 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 2018, together with the unaudited comparative figures for the corresponding period in 2017, as follows:

| | | Three months ended 31 March | |
|---|--------------|--|-----------|
| | | 2018 | 2017 |
| | | HK\$'000 | HK\$'000 |
| | | Unaudited | Unaudited |
| | <i>Notes</i> | | |
| REVENUE | 3 | 23,575 | 21,366 |
| Cost of sales | | (22,773) | (20,501) |
| Gross profit | | 802 | 865 |
| Other income and gains | 3 | 64 | 106 |
| Administrative and other operating expenses | | (2,201) | (2,767) |
| LOSS BEFORE TAX | | (1,335) | (1,796) |
| Income tax expenses | 4 | – | – |
| LOSS FOR THE PERIOD | | (1,335) | (1,796) |
| OTHER COMPREHENSIVE INCOME | | | |
| Item that may be classified to profit or loss: | | | |
| Exchange differences on translation of foreign operations | | 2,187 | 804 |
| TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD | | 852 | (992) |

| | | Three months ended 31 March | |
|-------------------------------------|--------------------------------|--|----------------|
| | | 2018 | 2017 |
| <i>Notes</i> | | HK\$'000 | HK\$'000 |
| | | Unaudited | Unaudited |
| (LOSS)/INCOME FOR THE PERIOD | | | |
| ATTRIBUTABLE TO: | | | |
| | Owners of the Company | (1,337) | (1,800) |
| | Non-controlling interests | 2 | 4 |
| | | (1,335) | (1,796) |
| TOTAL COMPREHENSIVE | | | |
| (LOSS)/INCOME FOR THE PERIOD | | | |
| ATTRIBUTABLE TO: | | | |
| | Owners of the Company | 849 | (1,005) |
| | Non-controlling interests | 3 | 13 |
| | | 852 | (992) |
| (LOSS)/INCOME PER SHARE | | | |
| ATTRIBUTABLE TO OWNERS | | | |
| OF THE COMPANY | | | |
| | – Basic (HK cents per share) | 0.002 | (0.004) |
| | – 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 Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is situated at 26/F, No. 9 Des Voeux Road West, Sheung Wan, Hong Kong.

The principal activity of the Company is investment holding. The Group is principally engaged in (i) trading of electronic technology and related products, and (ii) the low carbon products applications. It mainly develops business of low-carbon digital solutions and provides media and e-commerce platforms and media advertising services.

The shares of the Company have been listed on the 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 2018 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 2017. 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 | |
|-------------------------------|--------------------------------|-------------------------------|
| | 2018 HK\$'000 Unaudited | 2017 HK\$'000 Unaudited |
| Revenue | | |
| Sales of goods | 23,575 | 21,366 |
| Other income and gains | | |
| Bank interest income | 11 | 2 |
| Others | 53 | 104 |
| | 64 | 106 |

4. INCOME TAX EXPENSES

No provision for taxation has been made since the Company has tax loss during the period ended 31 March 2018 (three months ended 31 March 2017: 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 2018 is based on the unaudited loss attributable to owners of the Company for the three months ended 31 March 2018 of approximately HK\$1,337,000 (three months ended 31 March 2017: HK\$1,800,000) and the weighted average number of 42,716,116,618 ordinary shares in issue during the three months ended 31 March 2018 (three months ended 31 March 2017: 42,713,418,596).

No adjustment has been made to the basic loss per share for the three months ended 31 March 2018 and three months ended 31 March 2017 in respect of a dilution as the share options during the period had an anti-dilutive effect on the basic loss per share.

6. RESERVES AND NON-CONTROLLING INTERESTS

| | Attributable to owners of the Company | | | | | | | | Non-controlling interests | Total |
|---|---------------------------------------|----------------------|--------------------------------------|-----------------|-----------------|--------------------|-----------|----------|---------------------------|-------|
| | Share premium account | Share option reserve | Foreign currency translation reserve | Special reserve | Capital reserve | Accumulated losses | Total | | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| As at 1 January 2017 (Audited) | 298,050 | 10,135 | (2,369) | 11,157 | (1,638) | (615,547) | (300,212) | 1,377 | (298,835) | |
| Loss for the period | - | - | - | - | - | (1,800) | (1,800) | 4 | (1,796) | |
| Other comprehensive income | - | - | 795 | - | - | - | 795 | 9 | 804 | |
| Total comprehensive income/(loss) | - | - | 795 | - | - | (1,800) | (1,005) | 13 | (992) | |
| Issue of shares upon exercise of bonus warrants | 13 | - | - | - | - | - | 13 | - | 13 | |
| As at 31 March 2017 (Unaudited) | 298,063 | 10,135 | (1,574) | 11,157 | (1,638) | (617,347) | (301,204) | 1,390 | (299,814) | |
| As at 1 January 2018 (Audited) | 298,065 | 9,409 | 1,707 | 11,157 | (1,638) | (623,094) | (304,394) | 1,420 | (302,974) | |
| Loss for the period | - | - | - | - | - | (1,337) | (1,337) | 2 | (1,335) | |
| Other comprehensive income | - | - | 2,186 | - | - | - | 2,186 | 1 | 2,187 | |
| Total comprehensive income/(loss) | - | - | 2,186 | - | - | (1,337) | 849 | 3 | 852 | |
| Issue of shares upon exercise of bonus warrants | - | - | - | - | - | - | - | - | - | |
| As at 31 March 2018 (Unaudited) | 298,065 | 9,409 | 3,893 | 11,157 | (1,638) | (624,431) | (303,545) | 1,423 | (302,122) | |

DIVIDEND

The Directors do not recommend the payment of any dividend for the three months ended 31 March 2018 (three months ended 31 March 2017: Nil).

FINANCIAL REVIEW

For the three months ended 31 March 2018, the Group recorded a revenue of approximately HK\$23,575,000 (three months ended 31 March 2017: HK\$21,366,000), representing an increase of approximately 10.34% as compared to that of previous period.

Loss attributable to owners of the Company for the three months ended 31 March 2018 was approximately HK\$1,337,000 (three months ended 31 March 2017: HK\$1,800,000).

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

As at 31 March 2018, 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% |
| An Jin | 6 July 2014 | 6 July 2014 to 5 July 2024 | 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:

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.

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

As at 31 March 2018, 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) | 29.46% |
| 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 UNDERLYING SHARES OF THE COMPANY — 2021 WARRANTS
(WARRANT CODE: 8015)**

| Name | Date of grant | Exercise period | Nature of interest | Exercise price per share HK\$ | Number of underlying shares for 2021 Warrants | Approximately percentage of interests (note 4) |
|-----------------------------|---------------|--------------------------------|--------------------|----------------------------------|---|---|
| Kuan Hsin Huei (note 3) | 29 March 2016 | 29 March 2016 to 28 March 2021 | Beneficial owner | 0.0125 | 875,152,000(L) | 2.05% |
| Ruan Xiaoping (note 3) | 29 March 2016 | 29 March 2016 to 28 March 2021 | Beneficial owner | 0.0125 | 300,000,000(L) | 0.70% |
| Yu Bin (note 3) (note 5) | 29 March 2016 | 29 March 2016 to 28 March 2021 | Beneficial owner | 0.0125 | 569,760,000(L) | 1.33% |
| Zheng Yan (note 3) (note 5) | 29 March 2016 | 29 March 2016 to 28 March 2021 | Beneficial owner | 0.0125 | 569,760,000(L) | 1.33% |
| Chen Yingjiu (note 3) | 29 March 2016 | 29 March 2016 to 28 March 2021 | Beneficial owner | 0.0125 | 120,480,000(L) | 0.28% |
| Wang Jianjun (note 3) | 29 March 2016 | 29 March 2016 to 28 March 2021 | Beneficial owner | 0.0125 | 60,000,000(L) | 0.14% |

Notes:

- The letter "L" denotes the Shareholders' long position in the Shares.
- Honour Sky International Limited is a private company wholly and beneficially owned by China Technology Education Trust Association (the "Trust Association"). Accordingly, the Trust Association is interested in the Shares and the underlying Shares of the Company held by Honour Sky International Limited. The Trust Association is a society registered under the provisions of section 5A(1) of the Societies Ordinance in 2005, which is a charitable society providing charity and financial aid to technology education and employment in Hong Kong and Mainland China. Mr. Xiang is a chairman of the Trust Association.
- According to the disclosure of interest of the Stock Exchange, Kuan Hsin Huei, Ruan Xiaoping, Yu Bin, Zheng Yan, Chen Yingjiu and Wang Jiajun are the parties acting in concert. They are interested in shares of approximately 17.07% and in warrants of approximately 4.50% of the total issued share capital of the Company.
- The approximately percentage of interests in the Company is calculated on the basis of 42,716,118,022 Shares in issue as at 31 March 2018.
- 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 2018, 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.

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 2018, 1,600 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 31 March 2018.

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 2018. 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.

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. An Jing and Mr. Chen Yicheng as the member.

The Group's unaudited consolidated results for the three months ended 31 March 2018 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. An Jing, Mr. Chen Yicheng and 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, 11 May 2018