



*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

2010



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“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 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, 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, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

**CONDENSED CONSOLIDATED INCOME STATEMENT**

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 2010, together with the unaudited comparative figures for the corresponding period in 2009, as follows:

	Notes	Three months ended 31 March	
		2010 HK\$'000 Unaudited	2009 HK\$'000 Unaudited
REVENUE	2	11,397	9,271
Cost of sales		(11,253)	(9,054)
Gross profit		144	217
Other income and gains	2	86	–
Administrative and other operating expenses		(2,180)	(2,168)
LOSS BEFORE TAX		(1,950)	(1,951)
Income tax expense	3	–	–
LOSS FOR THE PERIOD		(1,950)	(1,951)
Attributable to:			
Owners of the Company		(1,909)	(1,951)
Minority interests		(41)	–
		(1,950)	(1,951)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	4		
– Basic		(0.24) cents	(0.29) cents
– Diluted		N/A	N/A

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended	
	31 March	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Unaudited
LOSS FOR THE PERIOD	(1,950)	(1,951)
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	(55)	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(55)	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(2,005)	(1,951)

Notes:

## 1. BASIS OF PREPARATION

The Company is a limited liability company incorporated in the Cayman Islands. The Group's unaudited consolidated results for the three months ended 31 March 2010 have been prepared in accordance with Chapter 18 of the GEM Listing Rules.

The Group's unaudited consolidated results for the three months ended 31 March 2010 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 2009. The first quarterly results are unaudited but have been reviewed by the Company's audit committee.

## 2. REVENUE, OTHER INCOME AND GAINS

The Group is principally engaged in sales and marketing of information technology equipment and the relevant application solution. An analysis of revenue, other income and gains for the period ended 31 March 2010, together with the comparative amounts for the corresponding period in 2009, were as follows:

	<b>Three months ended 31 March</b>	
	<b>2010</b>	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>Unaudited</b>	Unaudited
<b>Revenue</b>		
Sales of goods	<b>11,397</b>	9,271
<b>Other income and gains</b>		
Others	<b>86</b>	-

### 3. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided for the three months ended 31 March 2010 (three months ended 31 March 2009: Nil) as the Group did not generate any assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. No profits tax or income tax has been provided for the three months ended 31 March 2010 (three months ended 31 March 2009: Nil).

### 4. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share for the three months ended 31 March 2010 is based on the unaudited loss attributable to owners of the Company for the three months ended 31 March 2010 of approximately HK\$1,950,000 (three months ended 31 March 2009: HK\$1,951,000) and the weighted average number of 806,406,167 ordinary shares in issue during the three months ended 31 March 2010 (three months ended 31 March 2009: 677,675,500).

No adjustment has been made to the basic loss per share for the three months ended 31 March 2010 and three months ended 31 March 2009 in respect of a dilution as the share options and convertible bonds outstanding during the period had an anti-dilutive effect on the basic loss per share.

5. RESERVES

	Equity									
	Share	Share component			Exchange	Capital	Accumulated	Total	Minority	Total
	premium	Warrant	option	of convertible						
account	reserve	reserve	bonds	reserve	reserve	losses	Total	interests	equity	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unaudited										
As at 1 January 2009	68,379	900	6,977	-	-	11,157	(13,470)	73,943	-	73,943
Total comprehensive										
loss for the period	-	-	-	-	-	-	(1,951)	(1,951)	-	(1,951)
Issue of shares	7,037	-	-	-	-	-	-	7,037	-	7,037
Share issue expenses	(86)	-	-	-	-	-	-	(86)	-	(86)
As at 31 March 2009	75,330	900	6,977	-	-	11,157	(15,421)	78,943	-	78,943
Unaudited										
As at 1 January 2010	75,330	-	5,117	460,768	-	11,157	(60,484)	491,888	-	491,888
Loss for the period	-	-	-	-	-	-	(1,909)	(1,909)	(41)	(1,950)
Other comprehensive income	-	-	-	-	(55)	-	-	(55)	-	(55)
Total comprehensive income										
for the period	-	-	-	-	(55)	-	(1,909)	(1,964)	(41)	(2,005)
Issue of shares for										
acquisition of subsidiary	16,100	-	-	-	-	-	-	16,100	-	16,100
As at 31 March 2010	91,430	-	5,117	460,768	(55)	11,157	(62,393)	506,024	(41)	505,983

## INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2010 (three months ended 31 March 2009: Nil).

## FINANCIAL REVIEW

For the three months ended 31 March 2010, the Group recorded a revenue of approximately HK\$11,397,000 (period ended 31 March 2009: HK\$9,271,000), representing an increase of approximately 22.93% as compared to that of previous period. Loss attributable to owners of the Company for the three months ended 31 March 2010 was approximately HK\$1,950,000 (period ended 31 March 2009: HK\$1,951,000).

## OPERATION REVIEW

The Group is principally engaged in sales and marketing of information technology equipment and the relevant application solution.

On 30 September 2009, the Company entered into a sale and purchase agreement with an independent third party, in respect of the acquisition of copyrights of a film library (the "Copyrights Acquisition") at a consideration of HK\$25,000,000. The consideration will be set off by the refundable deposit ("Deposit") already paid by the Company in October 2008 upon completion of the acquisition. The Deposit would not bear any interest and security. The trademarks attached to the Copyrights Acquisition would be transferred from the vendor to the Company at nil consideration upon completion. The acquisition is subject to approval from the shareholders and a circular containing the details of the acquisition will be despatched to the shareholders of the Company in due course.

On 10 December 2009, the Company entered into a sale and purchase agreement with an independent third party (the "Vendor") pursuant to which the Company agreed to acquire the entire issued share capital of Nopo International Limited (the "Nopo Acquisition"), which was principally engaged as an agent of the products of a mobile location-based service provider in the PRC and the sole franchised dealer in overseas markets under a distribution agreement, at a consideration of HK\$19,493,000. A refundable deposit of HK\$1,993,000, without interest, had been paid by the Company to the Vendor upon signing of the agreement. The Nopo Acquisition has been completed on 22 January 2010 with the balance of the consideration of HK\$17,500,000 being settled by the issue of 140,000,000 consideration shares of the Company at an issue price of HK\$0.125 per share.

On 15 June 2009, the Company entered into a sale and purchase agreement (as supplemented by two deeds of assignment and novation dated 30 September 2009 and 1 December 2009 respectively) with Mr. Yu Shu Kuen (“Mr. Yu”) to (i) dispose the entire issued share capital of Ace Solution Technology Limited (“Ace Solution”), and (ii) the shareholder’s loan due from Ace Solution to the Company at the consideration of HK\$1. The transaction, which constitutes a very substantial disposal for the Company under the GEM Listing Rules, was approved by the shareholders of the Company at an extraordinary general meeting of the Company held on 18 January 2010. The disposal was completed on 5 February 2010. Ace Solution and its subsidiaries (the “Disposal Group”) ceased to be subsidiaries of the Company and the results of the Disposal Group ceased to be consolidated into the consolidated accounts of the Group.

Up to the reporting date, Mr. Yu had paid approximately HK\$2,836,000 for the payment of Hong Kong profits tax, annual license fee in the British Virgin Islands and annual company secretarial fee for the companies in the Disposal Group.

## **EVENTS AFTER THE REPORTING PERIOD**

On 28 April 2010, the Company proposed to issue 3,374,958,000 rights shares of the Company at a subscription price of HK\$0.04 per rights share on the basis of four rights shares for every one share held by the shareholders of the Company. The proposed rights issue will raise approximately HK\$135 million before expenses.

## **DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

At 31 March 2010, the interests and short positions of the directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)), as recorded in the register required to be kept by the Company

pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Rule 5.46 of the GEM Listing Rules, were as follows:

**(I) LONG POSITION IN THE UNDERLYING SHARES OF THE COMPANY – SHARE OPTION**

Name of Director	Date of grant	Exercisable period	Capacity	Exercise price per share HK\$	No. of underlying shares of the Company comprised the share options outstanding	Approximate percentage of interest
					as at 31 March 2010	
Xiang Xin	9 April 2008	9 April 2008 to 8 April 2013	Beneficiary	0.28	5,000,000	0.59%
Wong Chak Keung	9 April 2008	9 April 2008 to 8 April 2013	Beneficiary	0.28	5,000,000	0.59%
Zhang Zhan Liang	9 April 2008	9 April 2008 to 8 April 2013	Beneficiary	0.28	2,500,000	0.30%

**(II) LONG POSITION IN THE UNDERLYING SHARES OF THE COMPANY – THE ZERO-COUPON CONVERTIBLE BONDS (THE “2012 CONVERTIBLE BONDS”)**

Name	Capacity	Number of underlying shares for the 2012 Convertible Bonds	Percentage of issued share capital
Xiang Xin (“Mr. Xiang”) (note 2)	Interest of controlled corporation	1,621,520,000	192.18%
Wong Chak Keung	Beneficial owner	32,967,600	3.91%

*Notes:*

1. Holders of the 2012 Convertible Bonds are entitled to elect to convert the 2012 Convertible Bonds into Ordinary Shares of HK\$0.01 each of the Company (the “Share”) at the conversion price of HK\$0.125 per Share (subject to adjustment) until 30 December 2012.
2. The underlying shares of the Company are held by Honour Sky International Limited, a company incorporated in the British Virgin Islands with limited liability and Mr. Xiang is the sole director of the company and Mr. Xiang’s family member(s) (excluding Mr. Xiang) is/are the ultimate beneficiaries of such company.

Save as disclosed above, as at 31 March 2010, none of the directors or chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Rule 5.46 of the GEM Listing Rules.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2010, the following interests and short positions of 5% or more of the issued share capital and underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### (I) LONG POSITION IN THE SHARES OF THE COMPANY

Name of shareholder	Capacity	Number of share held	
		Long position	Percentage of issued share capital
Morgan Strategic Limited	Beneficial owner	160,720,000	19.04%
Top Ten International s.a r.l. (note 1)	Interest of controlled corporation	160,720,000	19.04%
Chen Darren (note 1)	Interest of controlled corporation	160,720,000	19.04%
Nopo Group Limited	Beneficial owner	140,000,000	16.59%
Song Xia (note 2)	Interest of controlled corporation	140,000,000	16.59%
Lo Wai Chi	Beneficial owner	100,240,000	11.88%
Jo Won Seob	Beneficial owner	72,700,000	8.61%

Note:

1. Morgan Strategic Limited was a private company wholly and beneficially owned by Top Ten International s.a r.l. ("Top Ten") and Top Ten was a private company wholly and beneficially owned by Chen Darren. Accordingly, Top Ten and Chen Darren were interested in the shares of the Company held by Morgan Strategic Limited.
2. Nopo Group Limited is a private company wholly and beneficially owned by Ms. Song Xia. Accordingly, Ms. Song Xia is interested in the shares of the Company held by Nopo Group Limited.

**(II) LONG POSITION IN THE UNDERLYING SHARES OF THE COMPANY – THE 2012 CONVERTIBLE BONDS**

Name of holder	Capacity	Number of Underlying shares for the CB	Percentage of issued share capital
China Technology Education Trust Association (note 2)	Beneficial owner	2,460,176,000	291.58%
Honour Sky International Limited (note 3)	Beneficial owner	1,621,520,000	192.18%
Chinese Star (PTC) Ltd. (note 4)	Interest of controlled corporation	1,621,520,000	192.18%
Kung Ching (note 4)	Interest of controlled corporation	1,621,520,000	192.18%
HSBC International Trustee Limited (note 5)	Interest of controlled corporation & trustee of a trust	1,621,520,000	192.18%
Ocean Space Development Limited	Beneficial owner	330,520,000	39.17%
Zhang Shao Cai (note 6)	Interest of controlled corporation	330,520,000	39.17%
Metropower Holdings Limited	Beneficial owner	153,848,800	18.23%
Timepeak Holdings Limited (note 7)	Interest of controlled corporation	153,848,800	18.23%
Wang Yan Li (note 7)	Interest of controlled corporation	153,848,800	18.23%
Morgan Strategic Limited	Beneficial owner	128,000,000	15.17%
Top Ten International s.a r.l. (note 8)	Interest of controlled corporation	128,000,000	15.17%
Chen Darren (note 8)	Interest of controlled corporation	128,000,000	15.17%

**Notes:**

1. Holders of the 2012 Convertible Bonds are entitled to elect to convert the 2012 Convertible Bonds into ordinary shares of HK\$0.01 each of the Company (the "Shares") at the conversion price of HK\$0.125 per Share (subject to adjustment) until 30 December 2012.
2. China Technology Education Trust Association (the "Association"), a society registered under the provisions of section 5A(1) of the Societies Ordinance in 2005, was a charitable society providing charity and financial aid to education and employment in Hong Kong and Mainland China. Mr. Xiang was a council member of the Association.

3. Honour Sky International Limited, a company incorporated in the British Virgin Islands with limited liability and Mr. Xiang was the sole director of the company and Mr. Xiang's family member(s) (excluding Mr. Xiang) was/were the ultimate beneficiaries of such company.
4. Honour Sky International Limited was a private company wholly and beneficially owned by Chinese Star (PTC) Ltd. Accordingly, Chinese Star (PTC) Ltd. was interested in the underlying shares of the Company held by Honour Sky International Limited. Ms. Kung Ching, the spouse of Mr. Xiang, was also the director of Chinese Star (PTC) Ltd. and was deemed to have interest in the underlying shares held by the Honour Sky International Limited.
5. These underlying shares were held by Chinese Star (PTC) Ltd., a company incorporated in the British Virgin Islands (indirectly through various wholly owned subsidiaries) in its capacity as trustee of The New Era Unit Trust, almost the entire issued units of which (i.e. 8,751,602 units out of 8,751,603 units) were held by HSBC International Trustee Limited, in its capacity as trustee of The New Era Development No. 1 Trust. Mr. Xiang's family members (but not including Mr. Xiang) are the discretionary beneficiaries of The New Era Development No. 1 Trust.
6. Ocean Space Development Limited, a company incorporated in the British Virgin Islands, was a private company wholly and beneficially owned by Mr. Zhang Shao Cai. Accordingly, Mr. Zhang Shao Cai was deemed to be interested in the underlying shares of the Company held by Ocean Space Development Limited.
7. Metropower Holdings Limited was a private company wholly and beneficially owned by Timepeak Holdings Limited. Timepeak Holdings Limited was a private company wholly and beneficially owned by Mr. Wang Yan Li. Accordingly, Timepeak Holdings Limited and Mr. Wang Yan Li were interested in the underlying shares of the Company held by Metropower Holdings Limited.
8. Morgan Strategic Limited was a private company wholly and beneficially owned by Top Ten International s.a r.l. ("Top Ten") and Top Ten was a private company wholly and beneficially owned by Chen Darren. Accordingly, Top Ten and Chen Darren were interested in the underlying shares of the Company held by Morgan Strategic Limited.

Save as disclosed above, as at 31 March 2010, 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.

## 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.

## SHARE OPTION SCHEME

On 9 April 2008, the Company granted a total of 40,000,000 share options to the directors and eligible employees under the share option scheme of the Company. As at 31 March 2010, the number of shares in respect of which options had been granted and remained outstanding under the share option scheme was 27,500,000, representing 3.26% of the shares of the Company in issue.

## 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 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.

## **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. Zhang Zhan Liang as the Chairman, Ms. Lu Yuhe and Mr. Kwok Chi Hung as the members.

The Group's unaudited consolidated results for the three months ended 31 March 2010 have been reviewed by the Committee, which was of the opinion that such results have complied with the applicable accounting standards and that adequate disclosures have been made.

## **DIRECTORS OF THE COMPANY**

As at the date of this report, the executive Directors are Mr. Xiang Xin, Mr. Yang Gaocai, Mr. Wong Chak Keung and Mr. Law Gerald Edwin and the independent non-executive Directors are Mr. Zhang Zhan Liang, Ms. Lu Yuhe and Mr. Kwok Chi Hung

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

Hong Kong, 14 May 2010