



*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

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

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2010 HK\$'000 Unaudited	2009 HK\$'000 Unaudited	2010 HK\$'000 Unaudited	2009 HK\$'000 Unaudited
<b>REVENUE</b>	3	<b>33,318</b>	35,528	<b>8,580</b>	10,501
Cost of sales		(32,978)	(35,089)	(8,537)	(10,435)
Gross profit		340	439	43	66
Other income and gains	3	347	-	239	-
Administrative and other operating expenses		(7,372)	(5,567)	(3,018)	(1,667)
Other impairment losses		-	(1,704)	-	(4)
<b>LOSS BEFORE TAX</b>		<b>(6,685)</b>	(6,832)	<b>(2,736)</b>	(1,605)
Income tax expense	4	-	(299)	-	-
<b>LOSS FOR THE PERIOD</b>		<b>(6,685)</b>	(7,131)	<b>(2,736)</b>	(1,605)
<b>Other comprehensive income:</b>					
Exchange difference on translation of foreign operations		-	-	-	-
<b>Other comprehensive income for the period, net of tax</b>		<b>-</b>	-	<b>-</b>	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(6,685)</b>	(7,131)	<b>(2,736)</b>	(1,605)
Attributable to:					
Owners of the Company		(6,557)	(7,131)	(2,689)	(1,605)
Minority interests		(128)	-	(47)	-
		<b>(6,685)</b>	(7,131)	<b>(2,736)</b>	(1,605)
<b>LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (HK cents)</b>					
Basis	5	(0.25)	(1.03)	(0.10)	(0.23)
Diluted	5	N/A	N/A	N/A	N/A

Notes:

## 1. CORPORATE INFORMATION

China Trends Holdings Limited (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 Company is an investment holding company. The Group is principally engaged in sales and marketing of mobile phone appliance and the relevant application solution. Since 2009, the Group also commenced its operation in the trading of LED/LCD and related products. The Group also intends to engage in the media business which involves the provision of multi-media and advertising business, and energy management contract business.

The shares of the Company have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 31 July 2002.

## 2. BASIS OF PREPARATION

These condensed unaudited 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 and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong.

The accounting policies adopted in preparing these third quarterly results are consistent with those used in the Company’s annual audited consolidated financial statements for the year ended 31 December 2009. The third 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:

	Nine months ended 30 September		Three months ended 30 September	
	2010 HK\$'000 Unaudited	2009 HK\$'000 Unaudited	2010 HK\$'000 Unaudited	2009 HK\$'000 Unaudited
<b>Revenue</b>				
Sales of goods	33,318	35,528	8,580	10,501
<b>Other income and gains</b>				
Others	347	–	239	–

## 4. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made for the nine months ended 30 September 2010 (nine months ended 30 September 2009: Nil) as the Group did not generate any assessable profits 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 nine months ended 30 September 2010 (nine months ended 30 September 2009: Nil).

	Nine months ended 30 September		Three months ended 30 September	
	2010 HK\$'000 Unaudited	2009 HK\$'000 Unaudited	2010 HK\$'000 Unaudited	2009 HK\$'000 Unaudited
Current tax – Hong Kong				
Underprovision in previous year	–	299	–	–

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

The calculation of basic loss per share for the nine months ended 30 September 2010 is based on the unaudited net loss attributable to owners of the Company for the nine months ended 30 September 2010 and the weighted average number of ordinary shares in issue during the nine months ended 30 September 2010.

The calculations of basic loss per share are based on:

	Nine months ended 30 September		Three months ended 30 September	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Unaudited	Unaudited	Unaudited	Unaudited
Loss attributable to owners of the Company, used in the basic loss per share calculation	(6,557)	(7,131)	(2,689)	(1,605)

	Number of shares			
	Nine months ended 30 September		Three months ended 30 September	
	2010	2009	2010	2009
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	2,625,721,000	695,147,000	2,625,721,000	695,147,000

No diluted loss per share has been presented by the Company for each of the nine months ended 30 September 2010 and 30 September 2009 respectively as the exercise of the share options and convertible bonds will give rise to an anti-dilutive effect.

## 6. RESERVES

	Share premium account		Equity component of Share option reserve		Convertible bonds	Attributable to owners		Minority interests	Total
	HK\$'000	Warrant reserve HK\$'000	Share option reserve HK\$'000	of convertible bonds HK\$'000		Accumulated losses HK\$'000	of the Company HK\$'000		
Unaudited									
At 1 January 2009	68,379	900	6,977	-	11,157	(13,470)	73,943	-	73,943
Total comprehensive loss for the period	-	-	-	-	-	(7,131)	(7,131)	-	(7,131)
Issue of shares	6,951	-	-	-	-	-	6,951	-	6,951
Lapse of share options	-	-	(1,395)	-	-	1,395	-	-	-
At 30 September 2009	75,330	900	5,582	-	11,157	(19,206)	73,763	-	73,763
Unaudited									
At 1 January 2010	75,330	-	5,117	460,768	11,157	(60,484)	491,888	-	491,888
Total comprehensive loss for the period	-	-	-	-	-	(6,557)	(6,557)	(128)	(6,685)
Issue of shares for acquisition of a subsidiary	16,100	-	-	-	-	-	16,100	-	16,100
Issue of shares	101,249	-	-	-	-	-	101,249	-	101,249
Share issue expenses	(3,172)	-	-	-	-	-	(3,172)	-	(3,172)
Issue of shares upon conversion of convertible bonds	45,013	-	-	(69,176)	-	-	(24,163)	-	(24,163)
At 30 September 2010	234,520	-	5,117	391,592	11,157	(67,041)	575,345	(128)	575,217

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2010 (nine months ended 30 September 2009: Nil).

## FINANCIAL REVIEW

During the nine months ended 30 September 2010, the Group recorded a revenue of approximately HK\$33,318,000 (nine months ended 30 September 2009: HK\$35,528,000), representing a decrease of 6.2%. The decrease in revenue was due to the fierce competition in the current business operations of the Group.

During the nine months ended 30 September 2010, the Group incurred a loss of approximately HK\$6,685,000 (nine months ended 30 September 2009: HK\$7,131,000). The loss was mainly attributable to the drop of profit margins of the existing business operations.

## OPERATIONAL REVIEW

On 30 September 2009, the Group entered into a sale and purchase agreement with an independent third party to acquire the copyright of film libraries ("Copyright Acquisition") at a consideration of HK\$25,000,000, which was financed by a refundable deposit ("Deposit") already paid by the Group to the independent third party. The deposit was interest-free. Trademarks under the Copyright Acquisition will be transferred to the Group from the vendor at nil consideration afterward upon completion. The Copyright Acquisition was completed by late September 2010.

On 10 December 2009, the Group entered into a sale and purchase agreement (the "Agreement") with an independent third party (the "Vendor"), pursuant to which, the Group agreed to acquire the entire issued share capital of Nopo International Limited (according to a distribution agreement, the company is principally engaged as a product agent of a mobile location-based service provider in the PRC and as a sole franchised dealer in overseas markets) ("Nopo Acquisition"), at a consideration of HK\$19,493,000. At the time of signing the agreement, the Group has made the payment of an interest-free refundable deposit of HK\$1,993,000 to the Vendor. Nopo Acquisition was completed on 22 January 2010. The remaining balance of the consideration in the amount of HK\$17,500,000 has been paid by the Group by way of issuing 140,000,000 Consideration Shares at an issue price of HK\$0.125 per share.



On 15 June 2009, the Group entered into a sale and purchase agreement (supplemented by two deeds of transfer and novation dated 30 September 2009 and 1 December 2009 respectively) with Mr. Yu Shu Kuen (“Mr. Yu”), (i) to dispose of the entire issued share capital of Ace Solution Technology Limited (“Ace Solution”); and (ii) the shareholder loans owed by Ace Solution to the Company, at a consideration of HK\$1. The transaction constituted a very significant disposal for the Group under the GEM Listing Rules, and was completed on 5 February 2010. Ace Solution and its subsidiaries (the “Disposal Group”) are no longer subsidiaries of the Group. The results of the Disposal Group will no longer be combined into the Group’s consolidated accounts.

On 28 April 2010, the Group announced that it proposed to issue a total of 3,374,958,000 rights shares by way of rights issue at a subscription price of HK\$0.04 per rights share on the basis of four nil-paid rights shares for every existing share held. The right issue was completed on 30 June 2010, and an amount of approximately HK\$134,998,000 (before expenses) was raised.

On 7 May 2010, the Group entered into a non-binding cooperative framework agreement with 深圳市諾普電子商務有限公司 (Shenzhen Nopo Electronic Commerce Co., Ltd.) (“Nopo Electronic Commerce”), pursuant to which, the Group conditionally agreed to purchase the CEM bonus points redemption platform and the related assets with a capacity of 10 million subscribers from Nopo Electronic Commerce, at a consideration which is determined to be not more than HK\$50,000,000 for the time being. The consideration will be satisfied in cash, or by the issue of notes or loan notes, consideration shares, convertible bonds and/or other financial instruments by the Group at an issue price or conversion price of HK\$0.28 per share (subject to adjustment if the rights issue is completed). The actual method of payment is to be confirmed by the Group and Nopo Electronic Commerce through further negotiations.

On 14 May 2010, the Group entered into a non-binding cooperative framework agreement with Yu Tone Industrial Investment Limited (“Yu Tone Industrial”), under which, the Group conditionally agreed to acquire the entire equity interest in Yu Tone Industrial and to become its sole shareholder, with a condition precedent that Yu Tone Industrial will, after the completion of its restructuring, wholly own 廣東譽通置業有限公司 (transliterated as Guangdong Yu Tone Development Limited (“Guangdong Yu Tone”)) – a company having more than 10,000 square meters of commercial ground floor and extensive operation and sales channels of electronic products in Guangzhou business district. The consideration will be satisfied in cash, or by the issue of notes or loan notes, consideration shares, convertible bonds and/or other financial instruments by the Group at an issue price or conversion price of HK\$0.28 per share (subject to adjustment if the rights issue is completed). The actual method of payment is to be confirmed by the Group and Yu Tone Industrial through further negotiations.

On 28 May 2010, the Group entered into a non-legally binding cooperative framework agreement with Joy China Group Limited (“Joy China”), under which, the Group agreed conditionally to purchase Joy China’s large volume advertising broadcasting platform making use of internet and 3C as the media and terminal and having a capacity of not less than 10 million subscribers. The consideration will be satisfied in cash, or by the issue of notes or loan notes, consideration shares, convertible bonds and/or other financial instruments by the Group at an issue price or conversion price of HK\$0.28 per share (subject to adjustment if the rights issue is completed). The actual method of payment is to be confirmed by the Group and Joy China through further negotiations.

On 3 June 2010, the Group entered into a cooperative framework agreement with 博大偉業（北京）教育文化發展有限公司 (transliterated as Grand Business (Beijing) Educational and Cultural Development Company Limited (“Grand Business”)), whereby the Group and Grand Business will establish a cooperation relationship. Grand Business is in the process of establishing its multi-media education platform. It is responsible for promotion and publication, operation and investment promotion and allowing suitable working partners to form an alliance. The Group will provide energy-saving computers and project-related solutions to Grand Business to implement its multi-media education platform by mean of energy management contract. It is targeted to build 10,000 education platforms with the alliance partners within three years in the PRC.

On 7 June 2010, the Group and China Innovation Investment Limited (“China Innovation”, stock code: 1217.HK) jointly announced that 博思（中國）信息系統有限公司 (transliterated as Boss (China) Information Systems Limited (“Boss China”)), a subsidiary of the Group, 多達創新（中國）科技發展有限公司 (transliterated as Dooda Innovation (China) Technology Development Limited (“Dooda China”)) under China Innovation and 惠州TCL光源科技有限公司 (transliterated as Huizhou TCL Lighting Appliance Technology Limited (“Huizhou TCL”)) under TCL Group (A share code: 000100) entered into a strategic cooperative framework agreement. The three parties plan to establish a strategic cooperation for research and development, production and marketing of energy-saving LED products, in particular by mean of energy management contract, in order to achieve mutually reciprocal benefits and the sharing of resources.

On 8 June 2010, the Group and Industrial and Commercial Bank of China Limited Shenzhen Xinghe Branch (“ICBC”) entered into a cooperative framework agreement in order for it to provide the Group project financing on energy management contract business, including project loans and factoring services, and also provide the Group the guidance on project financing, rationalization of application and approval procedures.

On 17 June, 2010, the Group, New Times Global Investment Limited (“New Times Global Investment”) and 寧波陽光海灣發展有限公司 (transliterated as Ningbo Sunbay Development Co., Ltd. (“Ningbo Sunshine”)) entered into a cooperative framework agreement, whereby three parties establish possible cooperation to develop the Sunbay Marina (Low Carbon Tourism) Project. The Group intends to extend its energy management contract business to the low-carbon tourism development. In addition, the Group’s shareholders may qualify for preferential scheme when purchasing any property available for sale in the Sunbay Marina (Low Carbon Tourism) Project.

On 22 June 2010, the Group and 北京惠利康高新技術有限責任公司 (transliterated as Beijing Hui Likang Hi-Tech Company Limited (“Beijing Hui Likang”)) entered into a cooperative framework agreement, whereby it is intended to build up 20,000 children wisdom groups in major cities in the PRC in order to further extend its business of energy management contract to children’s market.

On 29 June, 2010, the Group and China Innovation jointly announced that China Trends, China Innovation and 中國東方數控公司 (transliterated as China Oriental Numerical Control Company Limited (“China Oriental Numerical Control”)), a subsidiary of CNIGC, entered into a cooperative letter of intent, whereby three parties propose to establish cooperation for operation and marketing by mean of energy management contract in relation to the application of new energy numerical control system on solar electric vehicles.

On 12 July, 2010, the Group has, through Asian Capital (Corporate Finance) Limited (“Asian Capital (Corporate Finance)”), informed the board of directors of C Y Foundation Group Limited (“CY Foundation”, stock code: 1182.HK), that the Group is contemplating making the Possible Offer, subject to the approval of the shareholders of the Group. Subsequently, CY Foundation informed the Group that CY Foundation intended to conduct fund raising exercise, and the Group required CY Foundation to provide the further details in respect of proposed fund raising accordingly. As of 7 September, however, the board of directors of the Group has noticed from the media report that there might be certain possible regulatory issues relating to CY Foundation and/or its certain directors/shareholders and the trading in shares of CY Foundation was suspended since 31 August 2010 pending the release of an announcement in relation to information which is price sensitive in nature. As such, the board of directors has decided not to proceed with the Possible Offer.

## OUTLOOK AND PROSPECT

In early 2008, the Group announced its cooperation with China Innovation Investment Limited ("China Innovation", Hong Kong stock code: 1217) and 臺灣奇美電子 (Taiwan Chi Mei Optoelectronics) (Taiwan stock code: 3009) to tap into new LED technology and its products, with a focus on a basket of solutions based on LED new light source consumer electronics. To achieve this strategic goal, through combination of both R&D and application, the Company initiated active investment and M&A activities to expand its market channels, so as to support future operations.

For the business of energy-saving digital industry applications, these applications are mainly made in a wide variety of areas by mean of BOT investment accounting rate model of energy management contract (CEM). Moreover, revenue from sales of traditional products is transformed into revenue from energy management contract services in order to upgrade the Company's income.

Energy management contract refers to the provision of energy-saving programs, financing, transformation services to subscribers by the subsidiaries of the Group, and the collection of a certain sum as profit based on the extent of energy saving through energy efficiency. The contract spans for a period of not less than five years.

The Group's initial energy management contract products are energy-saving computer integrated machines. Such machines can save up to 90% energy consumption when compared with traditional desktop computers which are widely used in the market. Their CEM business model has intellectual property rights.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARE CAPITAL

As at 30 September 2010, 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 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 SHARES**

Name	Nature of interest	Number of Shares held	Approximately percentage of interests
Xiang Xin ( <i>note 2</i> )	Interest of controlled corporation	1,650,914,973 (L)	24.88%
Wong Chak Keung	Beneficial owner	14,120,000 (L)	0.21%

**(II) INTEREST IN THE UNDERLYING SHARES OF THE COMPANY – SHARE OPTIONS**

Name	Date of grant	Exercise period	Nature of interest	Exercise price per Share (HK\$)	Number of underlying Shares for Share Options	Approximately percentage of interests
Xiang Xin	9 April 2008	9 April 2008 to 8 April 2013	Beneficial owner	0.0935	14,973,262 (L)	0.23%
Wong Chak Keung	9 April 2008	9 April 2008 to 8 April 2013	Beneficial owner	0.0935	14,973,262 (L)	0.23%
Zhang Zhan Liang	9 April 2008	9 April 2008 to 8 April 2013	Beneficial owner	0.0935	7,486,631 (L)	0.11%

**(III) INTEREST IN THE UNDERLYING SHARES OF THE COMPANY – CONVERTIBLE BONDS**

Name	Nature of interest	Number of underlying Shares for Convertible Bonds	Approximately percentage of interests
Xiang Xin ( <i>note 2</i> )	Interest of controlled corporation	3,827,193,135 (L)	57.68%
Wong Chak Keung	Beneficial owner	97,257,027 (L)	1.47%

**Notes:**

- The letter "L" denotes the Shareholders' long position in the Shares.
- The shares and the underlying shares of the Company are held by Honour Sky International Limited 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 30 September 2010, 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 2010, 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 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 Group:

### (I) INTEREST IN ISSUED SHARES

Name	Nature of interest	Number of Shares held	Approximately percentage of interests
Honour Sky International Limited	Beneficial owner	1,650,914,973 (L)	24.88%
Chinese Star (PTC) Ltd. (note 2)	Interest of controlled corporation	1,650,914,973 (L)	24.88%
Kung Ching (note 2)	Interest of controlled corporation	1,650,914,973 (L)	24.88%
HSBC International Trustee Limited (note 3)	Trustee	1,650,914,973 (L)	24.88%

Name	Nature of interest	Number of Shares held	Approximately percentage of interests
Morgan Strategic Limited	Beneficial owner	1,236,032,432 (L)	18.63%
Top Ten International s.ar.l. (note 4)	Interest of controlled corporation	1,236,032,432 (L)	18.63%
Chen Darren (note 4)	Interest of controlled corporation	1,236,032,432 (L)	18.63%
Tao Xue Juan (note 5)	Interest of controlled corporation	1,236,032,432 (L)	18.63%
Ocean Space Development Limited	Beneficial owner	141,564,000 (L)	2.13%
Zhang Shao Cai (note 6)	Interest of controlled corporation	141,564,000 (L)	2.13%

## (II) INTEREST IN THE UNDERLYING SHARES OF THE COMPANY – CONVERTIBLE BONDS

Name	Nature of interest	Number of underlying Shares for the Convertible Bonds	Approximately percentage of interests (note 8)
China Technology Education Trust Association (note 7)	Beneficial owner	8,311,405,405 (L)	125.27%
Honour Sky International Limited	Beneficial owner	3,827,193,135 (L)	57.68%
Chinese Star (PTC) Ltd. (note 2)	Interest of controlled Corporation	3,827,193,135 (L)	57.68%
Kung Ching (note 2)	Interest of controlled Corporation	3,827,193,135 (L)	57.68%
HSBC International Trustee Limited (note 3)	Trustee	3,827,193,135 (L)	57.68%
Ocean Space Development Limited	Beneficial owner	975,057,621 (L)	14.70%
Zhang Shao Cai (note 6)	Interest of controlled Corporation	975,057,621 (L)	14.70%

*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 Chinese Star (PTC) Ltd. Accordingly, Chinese Star (PTC) Ltd. is interested in the shares and the underlying shares of the Company held by Honour Sky International Limited. Ms. Kung Ching, the spouse of Mr. Xiang Xin, is also the director of Chinese Star (PTC) Ltd. and is taken to be interested in the underlying shares of the Company held by Honour Sky International Limited.
3. The shares and the underlying shares of the Company are 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) are 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.
4. Morgan Strategic Limited is a private company 40% owned by Top Ten International s.ar.l. (“Top Ten”) and Top Ten is a private company wholly and beneficially owned by Mr. Chen Darren. Accordingly, Top Ten and Mr. Chen Darren are interested in the Shares of the Company held by Morgan Strategic Limited.
5. Morgan Strategic Limited is a private company owned 60% by Ms. Tao Xue Jun. Accordingly, Ms. Tao Xue Jun is interested in the Shares of the Company held by Morgan Strategic Limited.
6. Ocean Space Development Limited, a company incorporated in the British Virgin Islands, is a private company wholly and beneficially owned by Mr. Zhang Shao Cai. Accordingly, Mr. Zhang Shao Cai is interested in the shares and the underlying shares of the Company held by Ocean Space Development Limited.
7. The underlying shares of the Company are held by China Technology Education Trust Association (the “Association”), 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 education and employment in Hong Kong and Mainland China. Mr. Xiang is a council member of the Association.
8. The approximately percentage of interests in the Company is calculated on the basis of 6,635,001,932 Shares in issue as at 30 September 2010.



Save as disclosed above and so far as is known to the Directors or chief executive of the Company, there is no person (other than a Director or chief executive of the Company) who, as at 30 September 2010, 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 spouse 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.

## **SHARE OPTION SCHEME**

As at 30 September 2010, there were the outstanding options granted by the Company to subscribe for an aggregate of 82,352,941 shares representing 1.24% of the shares of the Company in issue, at the adjusted exercise price of HK\$0.0935 per share pursuant to the Share Option Scheme.

## **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 nine months ended 30 September 2010, the Company was in compliance with the Code on Corporate Governance Practice, to the extent practicable, as set out in Appendix 15 of the GEM Listing Rules, except for the minor deviation that the non-executive directors were not appointed for a specific term but were subject to retirement by rotation at the Company's annual general meeting in accordance with the Company's articles of association. In this regard, the directors have reviewed its current practice and considered its present arrangements are 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. 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 nine months ended 30 September 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.

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

Hong Kong, 4 November 2010

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.