



**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 2011**

**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 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 2011, together with the unaudited comparative figures for the corresponding period in 2010, as follows:

		<b>Three months ended</b>	
		<b>31 March</b>	
		<b>2011</b>	2010
<i>Notes</i>		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>Unaudited</b>	Unaudited
	2	<b>20,786</b>	11,397
REVENUE			
Cost of sales		<u>(20,514)</u>	<u>(11,253)</u>
		<b>272</b>	144
Gross profit			
Other income and gains	2	<b>1,040</b>	86
Administrative and other operating expenses		<u>(2,085)</u>	<u>(2,180)</u>
		<b>(773)</b>	(1,950)
LOSS BEFORE TAX			
Income tax expense	3	<u>–</u>	<u>–</u>
		<b>(773)</b>	(1,950)
LOSS FOR THE PERIOD		<u><b>(773)</b></u>	<u>(1,950)</u>
Attributable to:			
Owners of the Company		<b>(769)</b>	(1,909)
Non-controlling interests		<u>(4)</u>	<u>(41)</u>
		<u><b>(773)</b></u>	<u>(1,950)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	4		
– Basic		<u><b>(0.01) cents</b></u>	<u>(0.24) cents</u>
– Diluted		<u><b>N/A</b></u>	<u>N/A</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE  
INCOME**

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2011</b>	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>Unaudited</b>	Unaudited
LOSS FOR THE PERIOD	<u><b>(773)</b></u>	<u>(1,950)</u>
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	<u>337</u>	<u>(55)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>337</u>	<u>(55)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><b>(436)</b></u>	<u>(2,005)</u>

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 2011 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 2011 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 2010. The first quarterly results are unaudited but have been reviewed by the Company's audit committee.

## 2. 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	
	2011	2010
	HK\$'000	HK\$'000
	Unaudited	Unaudited
<b>Revenue</b>		
Sales of goods	<u>20,786</u>	<u>11,397</u>
<b>Other income and gains</b>		
Others	<u>1,040</u>	<u>86</u>

## 3. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided for the three months ended 31 March 2011 (three months ended 31 March 2010: 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 2011 (three months ended 31 March 2010: 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 2011 is based on the unaudited loss attributable to owners of the Company for the three months ended 31 March 2011 of approximately HK\$769,000 (three months ended 31 March 2010: HK\$1,909,000) and the weighted average number of 6,635,001,932 ordinary shares in issue during the three months ended 31 March 2011 (three months ended 31 March 2010: 806,406,167).

No adjustment has been made to the basic loss per share for the three months ended 31 March 2011 and three months ended 31 March 2010 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 AND NON-CONTROLLING INTERESTS

	Attributable to owners of the Company									
	Share premium account	Share option reserve	Equity component			Capital reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
			convertible bonds	Exchange reserve	Special reserve					
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	<u>91,430</u>	<u>5,117</u>	<u>460,768</u>	<u>(55)</u>	<u>11,157</u>	<u>-</u>	<u>(62,393)</u>	<u>506,024</u>	<u>(41)</u>	<u>505,983</u>
Unaudited										
As at 1 January 2011	235,563	5,117	391,534	672	11,157	(1,638)	(69,297)	573,108	1,418	574,526
Loss for the period	-	-	-	-	-	-	(769)	(769)	(4)	(773)
Other comprehensive income	-	-	-	334	-	-	-	334	3	337
Total comprehensive income for the period	-	-	-	334	-	-	(769)	(435)	(1)	(436)
As at 31 March 2011	<u>235,563</u>	<u>5,117</u>	<u>391,534</u>	<u>1,006</u>	<u>11,157</u>	<u>(1,638)</u>	<u>(70,066)</u>	<u>572,673</u>	<u>1,417</u>	<u>574,090</u>

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2011 (three months ended 31 March 2010: Nil).

## **FINANCIAL REVIEW**

For the three months ended 31 March 2011, the Group recorded a revenue of approximately HK\$20,786,000 (period ended 31 March 2010: HK\$11,397,000), representing an increase of approximately 82.4% as compared to that of previous period. Loss attributable to owners of the Company for the three months ended 31 March 2011 was approximately HK\$769,000 (period ended 31 March 2010: HK\$1,909,000).

## **OPERATIONAL REVIEW**

The Group is principally engaged in (i) sales and marketing of mobile phone appliance and the relevant application solution, (ii) trading of LED/LCD and related products, and (iii) developing the energy-saving applications for digital products. The applications mainly make use of the energy management contract (CEM) and BOT mechanism which would ultimately apply to different sectors in the society.

On 7 January 2011, the Company entered into a sale and purchase agreement (the "Agreement") with Joy China Group Limited (the "Vendor"), pursuant to which, the Company will acquire 100% equity interest in Full Smart Asia Limited, a company incorporated in British Virgin Islands with limited liability, at a consideration of HK\$228,000,000.

The consideration shall be settled by the Company in the following manner: (i) HK\$11,400,000 already paid in cash to the Vendor within 14 business days from the date of signing of the Agreement as deposit; (ii) HK\$113,740,000 shall be satisfied by issuing the convertible bonds to the Vendor at completion; and (iii) HK\$102,860,000 shall be satisfied by issuing the promissory note to the Vendor at completion.

The acquisition constituted a major transaction on the part of the Company under the GEM Listing Rules and will be subject to the approval of the shareholders at the forthcoming extraordinary general meeting of the Company. A circular containing further details in respect of, among other things, the Agreement and the transactions contemplated thereunder (including the issue of convertible bonds and the promissory note in relation thereto), and other information as required under the GEM Listing Rules, will be despatched to the shareholders on or before 31 May 2011.

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 2011, 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 issued Shares**

<b>Name</b>	<b>Nature of interest</b>	<b>Number of Shares held</b>	<b>Approximately percentage of interests</b>
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 option**

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:*

1. The letter “L” denotes the long position in the Shares.
2. The Shares and the underlying Shares of the Company are held by Honour Sky International Limited and Mr. Xiang Xin 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 2011, 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 or underlying Shares 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 31 March 2011, 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**

<b>Name</b>	<b>Nature of interest</b>	<b>Number of Shares held</b>	<b>Approximately percentage of interests</b>
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.a r.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%

Name	Nature of interest	Number of underlying Shares for the Convertible Bonds	Approximately percentage of interests (note 8)
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 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 Shares and 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.a r.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 Xin 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 31 March 2011.

Save as disclosed above, as at 31 March 2011, 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**

As at 31 March 2011, there were the share options granted by the Company to subscribe for in aggregate of 82,352,941 shares, representing 1.24% of the Shares of the Company in issue, at the exercise price of HK\$0.0935 per share, remained outstanding.

## **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, Mr. Kwok Chi Hung and Ms. An Jing as the members.

The Group's unaudited consolidated results for the three months ended 31 March 2011 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, 13 May 2011

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

*This report, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. 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.*

*This report will remain on GEM website on the "Latest Company Reports" page for at least 7 days from the date of its posting and the Company website at [www.8171.com.hk](http://www.8171.com.hk).*