



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

	<i>Notes</i>	Nine months ended		Three months ended	
		30 September		30 September	
		2011	2010	2011	2010
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		Unaudited	Unaudited	Unaudited	Unaudited
REVENUE	3	71,941	33,318	22,496	8,580
Cost of sales		(67,460)	(32,978)	(21,982)	(8,537)
Gross profit		4,481	340	514	43
Other income and gains	3	1,320	347	113	239
Administrative and other operating expenses		(6,182)	(7,372)	(2,167)	(3,018)
LOSS BEFORE TAX		(381)	(6,685)	(1,540)	(2,736)
Income tax expense	4	—	—	—	—
LOSS FOR THE PERIOD		(381)	(6,685)	(1,540)	(2,736)
Attributable to:					
Owners of the Company		(405)	(6,557)	(1,538)	(2,689)
Minority interests		24	(128)	(2)	(47)
		(381)	(6,685)	(1,540)	(2,736)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (HK cents)					
Basis	5	(0.01) cents	(0.25) cents	(0.02) cents	(0.10) cents
Diluted	5	N/A	N/A	N/A	N/A

	Nine months ended 30 September		Three months ended 30 September	
	2011 HK\$'000 Unaudited	2010 HK\$'000 Unaudited	2011 HK\$'000 Unaudited	2010 HK\$'000 Unaudited
LOSS FOR THE PERIOD	(381)	(6,685)	(1,540)	(2,736)
OTHER COMPREHENSIVE INCOME:				
Exchange difference on translation of foreign operations	1,765	—	922	—
Other comprehensive income for the period, net of tax	1,765	—	922	—
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD	1,384	(6,685)	(618)	(2,736)

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 the trading of LED/LCD and related products and developing the energy-saving applications for digital products, which mainly make use of the energy performance contracting (EPC) and BOT mechanism.

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").

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 2010. 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	
	2011 HK\$'000 Unaudited	2010 HK\$'000 Unaudited	2011 HK\$'000 Unaudited	2010 HK\$'000 Unaudited
Revenue				
Sales of goods	71,941	33,318	22,496	8,580
Other income and gains				
Others	1,320	347	113	239

4. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made for the nine months ended 30 September 2011 (nine months ended 30 September 2010: 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 2011 (nine months ended 30 September 2010: Nil).

5. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share for the nine months ended 30 September 2011 is based on the unaudited net loss attributable to owners of the Company for the nine months ended 30 September 2011 and the weighted average number of ordinary shares in issue during the nine months ended 30 September 2011.

The calculations of basic loss per share are based on:

	Nine months ended 30 September		Three months ended 30 September	
	2011 HK\$'000 Unaudited	2010 HK\$'000 Unaudited	2011 HK\$'000 Unaudited	2010 HK\$'000 Unaudited
Loss attributable to owners of the Company, used in the basic loss per share calculation	(405)	(6,557)	(1,538)	(2,689)

	Number of shares			
	Nine months ended 30 September		Three months ended 30 September	
	2011	2010	2011	2010
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	6,635,001,932	2,625,721,000	6,635,001,932	2,625,721,000

No diluted loss per share has been presented by the Company for each of the nine months ended 30 September 2011 and 30 September 2010 respectively as the exercise of the share options and convertible bonds will give rise to an anti-dilutive effect.

6. RESERVES

	Share premium account HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Equity component of convertible bonds HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Attributable to owners of the Company HK\$'000	Minority interests HK\$'000	Total HK\$'000
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
Unaudited										
At 1 January 2011	235,563	5,117	672	391,534	11,157	(1,638)	(69,297)	573,108	1,418	574,526
Profit/(loss) for the period	–	–	–	–	–	–	(405)	(405)	24	(381)
Other comprehensive income for the period	–	–	1,747	–	–	–	–	1,747	18	1,765
At 30 September 2011	235,563	5,117	2,419	391,534	11,157	(1,638)	(69,702)	574,450	1,460	575,910

DIVIDEND

The Directors do not recommend the payment of any dividend for the nine months ended 30 September 2011 (nine months ended 30 September 2010: Nil).

FINANCIAL REVIEW

During the nine months ended 30 September 2011, the Group recorded a revenue of approximately HK\$71,941,000 (nine months ended 30 September 2010: HK\$33,318,000), representing an increase of 116%. The increase in revenue was due to the increase of trading business.

During the nine months ended 30 September 2011, the Group incurred a loss of approximately HK\$381,000 (nine months ended 30 September 2010: HK\$6,685,000). The loss was mainly attributable to the drop of profit margins of the existing business operations.

OPERATIONAL REVIEW

The Group is principally engaged in (i) trading of LED/LCD and related products, and (ii) developing the energy-saving applications for digital products. The applications mainly make use of the energy performance contracting (EPC) 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 ("Full Smart Acquisition"), 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.

On 29 June 2011, the Company entered into a supplemental agreement with the Vendor to vary the terms of the Agreement in respect of the Acquisition, (i) since the Company need additional time to consider the structure of the Target Group with the Vendor, all the parties agreed that the completion of the transaction will be postponed to on or before 31 December 2011, and (ii) an additional HK\$11,400,000 shall be payable in cash by the Company to the Vendor within 14 Business Days from the date of signing of the supplemental agreement as interest-free refundable deposit.

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 December 2011.

On 1 September 2011, the Company entered into a cooperative framework agreement with Mr. Sun Tianqun and Mr. Zhao Bao (collectively the “Vendor”) and Boss Dream Cultural Communication Company Limited (“Boss Cultural”), under which, the Company conditionally agreed to acquire the entire issued share capital of 北京需要教育科技有限公司 (transliterated Beijing Need Education Technology Company Limited) – a company is in process of establishing an education platform from project planning, education resources integration, project operation and management, and teaching system implementation. It is targeted to build 10,000 education platforms for developing the training programs in PRC. The total consideration will be based on the Company and the Vendor’s consultation and evaluated by Hong Kong assets evaluation agencies and/or auditors recognized by the Stock Exchange. The Directors believe that the Acquisition will create a chain of opportunities to the Company’s energy management contract. The Company also terminated the Project Cooperation Agreement signed by a subsidiary of Company, Boss China Systems Limited and Boss Cultural dated 9 November 2010.

OUTLOOK AND PROSPECT

The Group is principally engaged in developing the energy-saving applications for digital products. The applications mainly make use of the energy performance contracting (EPC) and BOT mechanism which would ultimately apply to different sectors in the society. With the transfer of turnover from traditional products sales to EPC services, the Group believes the switch would enhance the earnings.

According to the EPC business model, the commercial operating model provides a set of energy saving services, project financing, engineering construction, and related services to the clients in a contract of three to five years. The Group will then realize its investment return and profit by sharing relevant percentage of the energy saving efficiency realized by the clients' energy saving measures.

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 IN SHARE CAPITAL

As at 30 September 2011, 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%

(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%
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%

Notes:

1. The letter "L" denotes the Shareholders' 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 is the sole director of the company and Mr. Xiang and his family member(s) are the ultimate beneficiaries of such company.

Save as disclosed above, as at 30 September 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, 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 2011, 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 were 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 members of the Company:

(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%
New Times Global Capital Inc. (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%
Morgan Strategic Limited	Beneficial owner	1,236,032,432 (L)	18.63%

Name	Nature of interest	Number of Shares held	Approximately percentage of interests
Top Ten International s.a.r.l. (note 3)	Interest of controlled corporation	1,236,032,432 (L)	18.63%
Chen Darren (note 3)	Interest of controlled corporation	1,236,032,432 (L)	18.63%
Tao Xue Juan (note 4)	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 5)	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 6)	Beneficial owner	8,311,405,405 (L)	125.27%
Honour Sky International Limited	Beneficial owner	3,827,193,135 (L)	57.68%
New Times Global Capital Inc. (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)
Kung Ching (note 2)	Interest of controlled corporation	3,827,193,135 (L)	57.68%
Joy China Group Limited (note 7)	Trustee	2,843,500,000 (L)	42.86%
Ding Yi Ning (note 7)	Interest of controlled corporation	2,843,500,000 (L)	42.86%
Ocean Space Development Limited	Beneficial owner	975,057,621 (L)	14.70%
Zhang Shao Cai (note 5)	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 New Times Global Capital Inc.. Accordingly, New Times Global Capital Inc. 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 New Times Global Capital Inc. and is taken to be interested in the underlying shares of the Company held by Honour Sky International Limited.
3. 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.
4. 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.

5. 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.
6. 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.
7. As disclose in section "OPERATIONAL REVIEW" on page 7, part of the consideration shall be settled by the Company in convertible bonds which may convert into 2,843,500,000 new shares if exercise in full. Mr. Ding Yi Ning is the ultimate beneficiary of Joy China Group Limited. The completion of acquisition remains subject to the fulfillment of the conditions, and subject to the approval of the independent shareholders of the Company.
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 2011.

Save as disclosed above and so far as is known to the Directors or chief executive of the Company, as at 30 September 2011, 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 parts 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 2011, 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 2011, 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 do 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, Mr. Kwok Chi Hung and Ms. An Jing as the members.

The Group's unaudited consolidated results for the nine months ended 30 September 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, 1 November 2011

As at the date of this report, the executive Directors are Mr. Xiang Xin, Mr. Liang Xiaojin and Mr. Chen Banyan and the independent non-executive Directors are Mr. Zhang Zhan Liang, Mr. Kwok Chi Hung and Ms. An Jing.