



2009

THIRD QUARTERLY REPORT

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)

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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 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 2009, together with the unaudited comparative amounts for the corresponding period in 2008, as follows:

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2009 HK\$'000 Unaudited	2008 HK\$'000 Unaudited	2009 HK\$'000 Unaudited	2008 HK\$'000 Unaudited
REVENUE	2	35,528	68,335	10,501	16,815
Cost of sales		(35,089)	(66,291)	(10,435)	(16,269)
Gross profit		439	2,044	66	546
Other income and gains	2	–	194	–	2
Administrative and other operating expenses		(5,567)	(23,597)	(1,667)	(2,880)
Finance costs		–	(758)	–	(240)
Other impairment losses		(1,704)	(2,536)	(4)	(845)
LOSS BEFORE TAX		(6,832)	(24,653)	(1,605)	(3,417)
Tax	3	(299)	(17)	–	–
LOSS FOR THE PERIOD		(7,131)	(24,670)	(1,605)	(3,417)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		–	–	–	–
Income tax relating to components of other comprehensive income		–	–	–	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(7,131)	(24,670)	(1,605)	(3,417)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (HK cents)					
Basis	4	(1.03)	(4.21)	(0.23)	(0.58)
Diluted	4	N/A	N/A	N/A	N/A

Notes:

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 4 April 2002, as an exempted company with limited liability, under the Companies Law of the Cayman Islands. The Group's unaudited consolidated results for the nine months ended 30 September 2009 have been prepared in accordance with Chapter 18 of the GEM Listing Rules.

The Group's unaudited consolidated results for the nine months ended 30 September 2009 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 third quarterly results are consistent with those used in the Company's annual audited consolidated financial statements for the year ended 31 December 2008. The third quarterly results are unaudited but have been reviewed by the Company's audit committee.

2. REVENUE, OTHER INCOME AND GAINS

The principal activity of the Group was involved in sales and marketing of mobile phone appliances and the relevant application solution. An analysis of revenue, other income and gains for the period ended 30 September 2009, together with the comparative amounts for the corresponding period in 2008, were as follows:

	Nine months ended 30 September		Three months ended 30 September	
	2009 HK\$'000 Unaudited	2008 HK\$'000 Unaudited	2009 HK\$'000 Unaudited	2008 HK\$'000 Unaudited
Revenue				
Sales of goods	35,528	68,335	10,501	16,815
Other income and gains				
Bank interest income	-	147	-	-
Exchange gains, net	-	3	-	-
Others	-	44	-	2
	-	194	-	2

3. TAX

No provision for Hong Kong profits tax has been made for the nine months ended 30 September 2009 (nine months ended 30 September 2008: 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 2009 (nine months ended 30 September 2008: Nil).

4. LOSS PER SHARE

The calculation of basic loss per share for the nine months ended 30 September 2009 is based on the loss attributable to the equity holders of the Company for the nine months ended 30 September 2009 of approximately HK\$7,131,000 (nine months ended 30 September 2008: HK\$24,670,000) and the weighted average number of 695,147,000 ordinary shares in issue during the nine months ended 30 September 2009 (nine months ended 30 September 2008: 586,451,500).

The diluted loss per share for the nine months ended 30 September 2009 and nine months ended 30 September 2008 have not been disclosed as the share options and warrants outstanding during the period had an anti-dilutive effect on the basic loss per share.

5. RESERVES

	Share premium HK\$'000	Warrant reserve HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000	(Accumulated losses)/ Retained profits HK\$'000	Total HK\$'000
Unaudited						
At 1 January 2008	68,379	2,060	-	11,157	17,752	99,348
Total comprehensive loss for the period	-	-	-	-	(24,670)	(24,670)
Equity-settled share option arrangements	-	-	7,442	-	-	7,442
At 30 September 2008	68,379	2,060	7,442	11,157	(6,918)	82,120
Unaudited						
At 1 January 2009	68,379	900	6,977	11,157	(13,470)	73,943
Issue of shares	6,951	-	-	-	-	6,951
Total comprehensive loss for the period	-	-	-	-	(7,131)	(7,131)
Lapse of share options	-	-	(1,395)	-	1,395	-
At 30 September 2009	75,330	900	5,582	11,157	(19,206)	73,763

INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2009 (nine months ended 30 September 2008: Nil).

FINANCIAL REVIEW

For the nine months ended 30 September 2009, the Group recorded a revenue of approximately HK\$35,528,000 (nine months ended 30 September 2008: HK\$68,335,000), representing a decrease of 48%. The decrease in revenue was due to the fierce competition in the current business operations of the Group.

For the nine months ended 30 September 2009, the Group recorded a loss of approximately HK\$7,131,000 (nine months ended 30 September 2008: HK\$24,670,000). The loss incurred in the current period was mainly due to the drop in the profit margin of the current business operations.

OPERATION REVIEW

The Group is principally engaged in sales and marketing of mobile phone appliances and the relevant application solution. As set out in the annual report of the Company for the year ended 31 December 2008, there is fierce competition in the current business operations of the Group and the Board has been seeking opportunities to increase the business scope and the foundation of the Group. In view of the intense competition and falling profit margin, the Company is actively seeking opportunities to other business with higher return than the existing business.

The Group is of the view that the potential business development in optoelectronic industry is one of the key commercial applications in PRC, the Group therefore considers that optoelectronic industry, in particular the LED product markets may provide great potential to generate significant returns and strengthen the income stream for the Group.

The Group will strive to maintain the market share in the current business operations at the same time to explore new businesses, such as the media and advertisement publication, civil and military dual-use optoelectronic and consumer electronic products as mentioned above, so as to bring a reasonable return to our shareholders.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARE CAPITAL

At 30 September 2009, 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:

SHARE OPTIONS

Name of Director	Date of grant	Exercise period	Capacity	Exercise price per share HK\$	No. of underlying shares of the Company comprised the share options outstanding as at 30 September 2009	Approximate percentage of interest
Xiang Xin	9 April 2008	9 April 2008 to 8 April 2013	Beneficiary	0.28	5,000,000	0.71%
Wong Chak Keung	9 April 2008	9 April 2008 to 8 April 2013	Beneficiary	0.28	5,000,000	0.71%
Zhang Zhan Liang	9 April 2008	9 April 2008 to 8 April 2013	Beneficiary	0.28	2,500,000	0.36%
					12,500,000	

Save as disclosed above, as at 30 September 2009, 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

At 30 September 2009, 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:

LONG/SHORT POSITION IN THE SHARES OF THE COMPANY

Name of shareholder	Capacity	Number of share held	
		Long position	Percentage of interests
Morgan Strategic Limited	Beneficiary	160,720,000	22.83%
Top Ten International s.a r.l. (note 1)	Corporate	160,720,000	22.83%
Chen Darren (note 1)	Deemed	160,720,000	22.83%
Lo Wai Chi	Beneficiary	100,240,000	14.24%
Jo Won Seob	Beneficiary	81,200,000	11.53%
Shenyin Wanguo (H.K.) Limited (note 2)	Corporate	40,900,000	5.81%
Shenyin Wanguo Strategic Investments (H.K.) Limited (note 2)	Beneficiary	20,000,000	2.84%
Shenyin Wanguo Trading (H.K.) Ltd. (note 2)	Beneficiary	20,900,000	2.96%
Korea Technology Investment Corporation	Beneficiary	37,000,000	5.25%

LONG/SHORT POSITION IN THE UNLISTED WARRANT OF THE COMPANY

Name	Capacity	Number of underlying shares in respect of unlisted warrants to be held			
		Long position	Percentage of interests	Short position	Percentage of interests
Morgan Strategic Limited	Beneficiary	45,000,000	6.39%	-	-
Top Ten International s.a r.l. (note 1)	Corporate	45,000,000	6.39%	-	-
Chen Darren (note 1)	Deemed	45,000,000	6.39%	-	-
Pretty Profit Enterprises Ltd.	Beneficiary	45,000,000	6.39%	45,000,000	6.39%
Cheung Chun Yip (note 3)	Corporate	45,000,000	6.39%	45,000,000	6.39%

The unlisted warrants entitle the holders to subscribe for new shares of the Company at the subscription price of HK\$0.28 per share (subject to adjustment) until 11 December 2009.

Notes:

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. The entire issued share capital of Shenyin Wanguo Strategic Investments (H.K.) Limited and Shenyin Wanguo Trading (H.K.) Ltd. were legally and beneficially owned by Shenyin Wanguo (H.K.) Limited. Accordingly, Shenyin Wanguo (H.K.) Limited was to be interested in all the shares registered in the name of Shenyin Wanguo Strategic Investments (H.K.) Limited and Shenyin Wanguo Trading (H.K.) Ltd.
3. Pretty Profit Enterprises Ltd. was a private company wholly and beneficially owned by Ms. Cheung Chun Yip. Accordingly, Ms. Cheung Chun Yip was deemed to be interested in the shares of the Company held by Pretty Profit Enterprises Ltd.

Save as disclosed above, as at 30 September 2009, 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.

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

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 30 September 2009, the number of shares in respect of which options had been granted and remained outstanding under the share option scheme was 30,000,000, representing 4.26% 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 nine months ended 30 September 2009, 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 has three members comprising Mr. Zhang Zhan Liang, Ms. Lu Yuhe and Mr. Kwok Chi Hung.

The Group's unaudited consolidated results for the nine months ended 30 September 2009 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

Hong Kong, 10 November 2009