

FIRST QUARTERLY REPORT
2009



CHINA TRENDS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8171

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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.

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

		Three months ended	
		31 March	
	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Turnover	2	9,271	21,253
Cost of sales		9,054	(19,708)
Gross profit		217	1,545
Other revenue	2	–	99
Other operating expenses		(2,168)	(3,340)
Finance costs		–	(366)
Loss before tax		(1,951)	(2,062)
Tax	3	–	–
Loss for the period		(1,951)	(2,062)
Loss per share			
– Basic (HK cents)	4	(0.29)	(0.35)

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

2. TURNOVER AND REVENUE

The principal activity of the Group was involved in sales and marketing of mobile appliance and its relevant parts solution mainly in Mainland China. An analysis of other revenue for the period ended 31 March 2009, together with the comparative figures for the corresponding period in 2008, were as follows:

	Three months ended 31 March	
	2009 HK\$'000	2008 HK\$'000
Other revenue		
Interest income	–	95
Others	–	4
	<hr/>	<hr/>
	–	99

3. TAX

No provision for Hong Kong profits tax has been made for the three months ended 31 March 2009 (three months ended 31 March 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 three months ended 31 March 2009 (three months ended 31 March 2008: Nil).

4. LOSS PER SHARE

The calculation of basic loss per share for the three months ended 31 March 2009 is based on the unaudited net loss attributable to the equity holders of the Company for the three months ended 31 March 2009 of approximately HK\$1,951,000 (three months ended 31 March 2008: HK\$2,062,000) and the weighted average number of 677,675,500 ordinary shares in issue during the three months ended 31 March 2009 (three months ended 31 March 2008: 586,451,500).

The diluted loss per share for the three months ended 31 March 2009 and three months ended 31 March 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 account HK\$'000	Warrant reserve HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000	(Accumulated (losses)/ Retained profits HK\$'000	Total HK\$'000
As at 1 January 2008	68,379	2,060	-	11,157	17,752	99,348
Loss for the period	-	-	-	-	(2,062)	(2,062)
As at 31 March 2008	68,379	2,060	-	11,157	15,690	97,286
As at 1 January 2009	68,379	900	6,977	11,157	(13,470)	73,943*
Issue of shares upon placing	6,951	-	-	-	-	6,951
Loss for the period	-	-	-	-	(1,951)	(1,951)
As at 31 March 2009	75,330	900	6,977	11,157	(15,421)	78,943

* Approval by the Board on 30 April 2009 and subject to shareholders' approval in the forthcoming annual general meeting.

INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2009 (three months ended 31 March 2008: Nil).

BUSINESS REVIEW AND OUTLOOK

For the three months ended 31 March 2009, the Group recorded a turnover of approximately HK\$9,271,000 (period ended 31 March 2008: HK\$21,253,000), representing a decrease of approximately 56.38% as compared to that of previous period. Loss attributable to equity holders of the Company for the three months ended 31 March 2009 was approximately HK1,951,000 (period ended 31 March 2008: HK\$2,062,000).

On 31 December 2008, the Company entered into a placing agreement pursuant to which the Company placed 117,288,000 shares of the Company of HK\$0.01 each at a placing price of HK\$0.07 per share (the "Placing"). The Placing was completed on 21 January 2009 with a net proceeds of approximately HK\$8,127,000 received by the Company. The new shares rank pari passu with all the existing shares of the Company in all respects. The purpose of the Placing was to enlarge the shareholders base and to provide additional working capital for the Group's operation.

For the three months ended 31 March 2009, the Group still mainly focuses on its core business which was sales and marketing of mobile phone appliance and the relevant parts solution in Mainland China while at the same time, the Group has been actively exploring other businesses, such as media and advertisement publication, civil and military dual-use optoelectronic and consumer electronic products, for the anticipated re-positioning of the Group's business in the near future. Therefore, there is a consolidation of the Group's core business and decrease in operation noted in the current period as the Board needed to allocate the resources between the Group's existing business and the proposed new businesses.

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 Board considers that the very substantial acquisition as disclosed in the announcement dated 13 March 2009 which is subject to, among others, the approval by the shareholders of the Company represents a good opportunity for the Group to expand into the optoelectronic, media and advertisement publication business in the PRC.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARE CAPITAL

At 31 March 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 31 March 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%
Cho Hui Jae	9 April 2008	9 April 2008 to 8 April 2013	Beneficiary	0.28	5,000,000	0.71%
Leung Wing Kin	9 April 2008	9 April 2008 to 8 April 2013	Beneficiary	0.28	2,500,000	0.36%
Zhang Zhan Liang	9 April 2008	9 April 2008 to 8 April 2013	Beneficiary	0.28	2,500,000	0.36%
					20,000,000	

Save as disclosed above, as at 31 March 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 31 March 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	Short 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%	-	-
Pretty Profit Enterprises Ltd.	Beneficiary	60,000,000	8.52%	60,000,000	8.52%
Cheung Chun Yip (note 2)	Corporate	60,000,000	8.52%	60,000,000	8.52%
Shenyin Wanguo (H.K.) Limited (note 3)	Corporate	40,900,000	5.81%	-	-
Shenyin Wanguo Strategic Investments (H.K.) Limited (note 3)	Beneficiary	20,000,000	2.84%	-	-
Shenyin Wanguo Trading (H.K.) Ltd. (note 3)	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		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 2)	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. 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 Limited.
3. 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.

Save as disclosed above, as at 31 March 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the period under review.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company or their respective associates as defined in the GEM Listing Rules had any interest in business that competed or might compete with business of the Group during the period under review.

SHARE OPTION SCHEME

On 9 April 2008, the Company granted a total of 40,000,000 share options to the directors and eligible employees under the share option scheme of the Company. As at 31 March 2009, the number of shares in respect of which options had been granted and remained outstanding under the share option scheme was 37,500,000, representing 5.33% of the shares of the Company in issue.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the period under review, the Company has 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 independent 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 provision of the Bye-laws. 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 has three members comprising Mr. Zhang Zhan Liang, Mr. Leung Wing Kin and Mr. Zhang Jun.

The Group's unaudited consolidated results for the three months ended 31 March 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, Im Kai Chuen Stephen, Mr. Wong Chak Keung and Mr. Cho Hui Jae and the independent non-executive Directors are Mr. Zhang Zhan Liang, Mr. Leung Wing Kin and Mr. Zhang Jun.

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

Hong Kong, 14 May 2009