



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



INTERIM REPORT

2010



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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 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.

HIGHLIGHTS

- Reported a revenue of approximately HK\$24,738,000 for the six months ended 30 June 2010
- Incurred a net loss after tax of approximately HK\$3,949,000 and a basic loss per share attributable to owners of the Company of 0.47 cents for the six months ended 30 June 2010

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 six months and the three months ended 30 June 2010, together with the unaudited comparative amounts for the corresponding periods in 2009, as follows:

	Notes	Six months ended 30 June		Three months ended 30 June	
		2010	2009	2010	2009
		HK\$'000 Unaudited	HK\$'000 Unaudited	HK\$'000 Unaudited	HK\$'000 Unaudited
REVENUE	4	24,738	25,027	13,342	15,756
Cost of sales		(24,441)	(24,654)	(13,188)	(15,600)
Gross profit		297	373	154	156
Other income and gains	4	108	–	22	–
Administrative and other operating expenses		(4,354)	(3,900)	(2,174)	(1,732)
Other impairment losses		–	(1,700)	–	(1,700)
LOSS BEFORE TAX	5	(3,949)	(5,227)	(1,998)	(3,276)
Income tax expense	6	–	(299)	–	(299)
LOSS FOR THE PERIOD		(3,949)	(5,526)	(1,998)	(3,575)
Other comprehensive income:					
Exchange difference or translation of foreign operations		(55)	–	–	–
Other comprehensive income for the period, net of tax		(55)	–	–	–
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(4,004)	(5,526)	(1,998)	(3,575)

		Six months ended 30 June		Three months ended 30 June	
		2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
		Unaudited	Unaudited	Unaudited	Unaudited
Notes					
Attributable to:					
	Owners of the Company	(3,869)	(5,526)	(1,959)	(3,575)
	Minority interests	(80)	-	(39)	-
		(3,949)	(5,526)	(1,998)	(3,575)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY					
	Basis	7	(0.80)	7	(0.52)
	Diluted	7	N/A	7	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

The unaudited consolidated statement of financial position as at 30 June 2010, together with the audited consolidated statement of financial position as at 31 December 2009, were as follows:

	<i>Notes</i>	30 June 2010 HK\$'000 Unaudited	31 December 2009 HK\$'000 Audited
NON-CURRENT ASSETS			
Property, plant and equipment		1,416	1,588
Available-for-sale investments		–	–
Intangible assets	8	502,279	482,794
Deferred tax assets		–	–
Prepaid licenses fee		–	–
Total non-current assets		503,695	484,382
CURRENT ASSETS			
Inventories		1,176	1,178
Prepayments, deposits and other receivables	9	25,905	27,894
Cash and bank balances	10	475,902	6,764
		502,983	35,836
Assets of a disposal group classified as held-for-sale		–	7,889
Total current assets		502,983	43,725
CURRENT LIABILITIES			
Other payables and accruals		474,952	2,727
Tax payable		47	46
Due to a director		19,258	18,520
		494,257	21,293
Liabilities directly associated with the assets classified as held for sale		–	7,889
Total current liabilities		494,257	29,182
NET CURRENT ASSETS		8,726	14,543
NET ASSETS		512,421	498,925
EQUITY			
Equity attributable to owners of the Company			
Issued capital	11	8,437	7,037
Equity component of convertible bonds		460,768	460,768
Reserves		43,296	31,120
		512,501	498,925
Minority interests		(80)	–
TOTAL EQUITY		512,421	498,925

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Issued capital	Share premium account	Warrant reserve	Share option reserve	Equity component of convertible bonds	Capital reserve	Exchange reserve	Accumulated losses	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 1)										
Unaudited											
At 1 January 2009	5,865	68,379	900	6,977	-	11,157	-	(13,470)	79,808	-	79,808
Total comprehensive loss for the period	-	-	-	-	-	-	-	(5,526)	(5,526)	-	(5,526)
Issue of shares	1,172	6,951	-	-	-	-	-	-	8,123	-	8,123
At 30 June 2009	7,037	75,330	900	6,977	-	11,157	-	(18,996)	82,405	-	82,405
Unaudited											
At 1 January 2010	7,037	75,330	-	5,117	460,768	11,157	-	(60,484)	498,925	-	498,925
Total comprehensive loss for the period	-	-	-	-	-	-	(55)	(3,869)	(3,924)	(80)	(4,004)
Issue of shares (note 11(i))	1,400	16,100	-	-	-	-	-	-	17,500	-	17,500
At 30 June 2010	8,437	91,430	-	5,117	460,768	11,157	(55)	(64,353)	512,501	(80)	512,421

Note:

- Capital reserve represents the difference between the nominal value of shares issued by the Company as consideration and the underlying net assets of the then subsidiaries acquired pursuant to the group reorganisation in relation to the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited on 25 July 2002.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 June	
	2010	2009
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Net cash inflow/(outflow) from operating activities	471,123	(8,633)
Net cash outflow from investing activities	(1,985)	–
Net cash inflow from financing activities	–	8,123
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	469,138	(510)
Cash and cash equivalents at beginning of the period	6,764	7,590
CASH AND CASH EQUIVALENTS AT END OF PERIOD	475,902	7,080
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances (<i>note 10</i>)	475,902	7,080

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**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.

2.1 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 Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

These condensed unaudited consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2009.

2.2 ACCOUNTING POLICIES

Adoption of new and revised Hong Kong Financial Reporting Standards In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2010. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) the marketing of mobile appliance segment is involved in sales and marketing of mobile phone appliance and the relevant application solution;
- (b) the trading of LED/LCD and related products segment is involved in the trading of LED/LCD and related products; and
- (c) the media business segment is involved in the provision of multi-media and advertising business.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Period ended 30 June 2010

	Marketing of mobile appliance <i>HK\$'000</i>	Trading of LED/LCD and related products <i>HK\$'000</i>	Media business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:				
Sales to external customers	–	24,738	–	24,738
Intersegment sales	–	–	–	–
	–	24,738	–	24,738
Reconciliation:				
Elimination of intersegment sales				–
Revenue				24,738
Segment results	–	297	–	297
Reconciliation:				
Other income and gains				108
Unallocated expenses				(4,354)
Other impairment losses				–
Loss before tax				(3,949)
Income tax expense				–
Loss for the period				(3,949)

Period ended 30 June 2009

	Marketing of mobile appliance HK\$'000	Trading of LED/LCD and related products HK\$'000	Media business HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	10,975	14,052	-	25,027
Intersegment sales	-	-	-	-
	<u>10,975</u>	<u>14,052</u>	<u>-</u>	<u>25,027</u>
Reconciliation:				
Elimination of intersegment sales				<u>-</u>
Revenue				<u>25,027</u>
Segment results	160	213	-	373
Reconciliation:				
Other income and gains				-
Unallocated expenses				(3,900)
Other impairment losses				<u>(1,700)</u>
Loss before tax				(5,227)
Income tax expense				<u>(299)</u>
Loss for the period				<u>(5,526)</u>

Geographical segment information based on the Group's revenue is presented below:

	Six months ended 30 June				Three months ended 30 June			
	2010		2009		2010		2009	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	Unaudited		Unaudited		Unaudited		Unaudited	
China	24,738	100%	15,756	63%	13,342	100%	15,756	100%
Thailand	-	-	9,271	37%	-	-	-	0%
	24,738	100%	25,027	100%	13,342	100%	15,756	100%

4. 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:

	Six months ended 30 June		Three months ended 30 June	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Unaudited		Unaudited	
Revenue				
Sales of goods	24,738	25,027	13,342	15,756
Other income and gains				
Others	108	-	22	-
	24,846	25,027	13,364	15,756

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Six months ended 30 June		Three months ended 30 June	
	2010 HK\$'000 Unaudited	2009 HK\$'000 Unaudited	2010 HK\$'000 Unaudited	2009 HK\$'000 Unaudited
Cost of sales	24,441	24,654	13,188	15,600
Auditors' remuneration	105	240	45	37
Depreciation	200	146	100	94
Employee benefits expense (including directors' remuneration)				
– wages and salaries	1,338	904	710	457
– pension scheme contributions	14	30	4	14
– others	127	–	71	–
	1,479	934	785	471
Minimum lease payments under operating lease in respect of land and buildings	1,118	694	559	344
Impairment of inventories	–	1,700	–	1,700
Property, plant and equipment written off	–	260	–	260

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2010 (six months ended 30 June 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 six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

	Six months ended 30 June		Three months ended 30 June	
	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	–	299

7. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

The calculations of basic loss per share are based on:

	Six months ended 30 June		Three months ended 30 June	
	2010 HK\$'000 Unaudited	2009 HK\$'000 Unaudited	2010 HK\$'000 Unaudited	2009 HK\$'000 Unaudited
Loss attributable to owners of the Company, used in the basic loss per share calculation	(3,869)	(5,526)	(1,959)	(3,575)

	Six months ended 30 June		Three months ended 30 June	
	2010	2009	2010	2009
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	821,308,561	690,779,500	821,308,561	690,779,500

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

8. INTANGIBLE ASSETS

	Trade mark	operation in Internet cafes	Right granted by a mobile location-based service provider	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(note (a))	(note (b))	(note (c))	
30 June 2010				
Cost	17	482,794	-	482,811
Acquisition of a subsidiary	-	-	19,485	19,485
Accumulated amortisation and impairment	(17)	-	-	(17)
Net carrying amount	-	482,794	19,485	502,279
31 December 2009				
Cost	17	-	-	17
Accumulated amortisation and impairment	(17)	482,794	-	482,777
Net carrying amount	-	482,794	-	482,794

Note (a) The trade mark represented the trade mark of QUASAR with an indefinite useful lives.

Note (b) The rights (the "Rights") in sharing of profit steams (the "Profit Steams") from computer games competition operation in Internet cafes of approximately HK\$482,794,000 represented the Rights arising from the Co-operation Agreement entered into between a subsidiary of the Company and CY Foundation Group Limited. Pursuant to the Co-operation Agreement, the Group is entitled to participate in the co-operation and share the Profit Steams for a period of 15 years, extensible for another 15 years. The Rights is stated at cost and is amortised on the straight line basis over its estimated useful live. Amortisation shall begin when the Rights is available for use.

Note (c) The excess of the fair value of a right granted by a mobile location-based service provider to Nopo International Limited as an agent of the products of the mobile location-based service provider in the PRC and the sole franchised dealer in overseas markets in an amount of HK\$19,493,000, which has been valued by RHL Appraisal Ltd, an independent qualified valuer, as at 31 October 2009, over the identified net assets of Nopo International Limited is recognised as an intangible asset. The acquisition of the entire issued share capital of Nopo International Limited by the Company was completed on 22 January 2010.

9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Prepayment, deposits and other receivables included the deposit of HK\$25,000,000 (31 December 2009: HK\$25,000,000) paid for the proposed acquisition of the copyrights of a film library owned by an independent vendor under the conditional acquisition agreement dated 30 September 2009 entered into between the Company and the vendor.

The above deposit for proposed acquisition is unsecured, interest-free and will be refundable if the proposed acquisition is not executed and completed.

10. CASH AND BANK BALANCES

	30 June 2010 HK\$'000 Unaudited	31 December 2009 HK\$'000 Audited
Cash and bank balances		
– under rights issue account and excess application account (<i>note i</i>)	473,408	–
– other cash and bank balances	2,494	6,841
Less: transfer to assets of a disposal group classified as held for sale	–	(77)
	475,902	6,764

Note:

- (i) On 8 July 2010, the Company completed a rights issue and raised gross proceeds of approximately HK\$134,998,000 (before expenses) by issuing 3,374,958,000 rights shares at a price of HK\$0.04 per rights share on the basis of four rights shares for every one existing share held by qualifying shareholders. The balance of approximately HK\$338,410,000 in respect of wholly or partially unsuccessful applications for excess rights shares (without interest) was refunded to the qualifying shareholders.

11. SHARE CAPITAL

	30 June 2010 HK\$'000 Unaudited	31 December 2009 HK\$'000 Audited
Authorised:		
30,000,000,000 ordinary shares of HK\$0.01 each	300,000	300,000
Issued and fully paid:		
843,739,500 (2009: 703,739,500) ordinary shares of HK\$0.01 each	8,437	7,037

A summary of the transactions during the period with reference to the above movements in the Company's share capital is as follows:

	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2010	703,739,500	7,037	75,330	82,367
Issue of shares:				
On 22 January 2010 (<i>note i</i>)	140,000,000	1,400	16,100	17,500
At 30 June 2010	843,739,500	8,437	91,430	99,867

Note:

- (i) On 10 December 2009, the Company entered into a sale and purchase agreement with an independent third party (the "Vendor") pursuant to which the Company agreed to acquire the entire issued share capital of Nopo International Limited (the "Nopo Acquisition"), which was principally engaged as an agent of the products of a mobile location-based service provider in the PRC and the sole franchised dealer in overseas markets under a distribution agreement, at a consideration of HK\$19,493,000. A refundable deposit of HK\$1,993,000, without interest, had been paid by the Company to the Vendor upon signing of the agreement. The Nopo Acquisition has been completed on 22 January 2010 with the balance of the consideration of HK\$17,500,000 being settled by the issue of 140,000,000 consideration shares of the Company at an issue price of HK\$0.125 per share.

12. SHARE OPTION SCHEME

Pursuant to a written resolution of all the shareholders of the Company passed on 16 July 2002, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentive to directors and eligible employees and, unless otherwise cancelled or amended, will expire on 30 July 2012. Under the Scheme, the directors of the Company may grant options to eligible employees, including executive directors of the Company, and any of its subsidiaries, to subscribe for shares of the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue, or if such 10% limit is refreshed, the maximum aggregate number of shares which may be issued upon the exercise of all outstanding options grant and yet to be exercised under the Scheme must not exceed 30% of the total number of shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then in issue, without prior approval from the Company's shareholders. Each grant of options to any director, chief executive or substantial shareholder must be approved by independent non-executive directors. Where any grant of options to a substantial shareholder or any of their respective associates would result in the shares of the Company issued and to be issued upon exercise of options already granted and to be granted in excess of HK\$5,000,000 in the 12 month period up to the date of grant, then the grant must be approved in advance by the Company's shareholders.

A consideration of HK\$1 shall be paid to the Company upon acceptance of the grant. Options may be exercised in accordance with the terms of the Scheme at any time during a year to be determined and notified by the directors of the Company, which period may not expire earlier than 3 years and later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. The exercise price is determined by the directors of the Company, and will not be less than the higher of closing price of the Company's shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

On 9 April 2008, the Company granted a total of 40,000,000 share options to the directors and eligible employees under the Scheme of the Company. As at 30 June 2010, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 27,500,000, representing 3.26% of the shares of the Company in issue.

Details of the options granted under the Scheme and outstanding at 30 June 2010 are as follows:

Grantee	Date of grant	Exercise period	Outstanding	Granted during the period	Exercise during the period	Lapsed during the period	Outstanding	Exercise price per share option HK\$
			as at 1 January 2010				as at 30 June 2010	
Directors								
Xiang Xin	9 Apr 2008	9 Apr 2008 – 8 Apr 2013	5,000,000	-	-	-	5,000,000	0.28
Wong Chak Keung	9 Apr 2008	9 Apr 2008 – 8 Apr 2013	5,000,000	-	-	-	5,000,000	0.28
Zhang Zhan Liang	9 Apr 2008	9 Apr 2008 – 8 Apr 2013	2,500,000	-	-	-	2,500,000	0.28
			12,500,000	-	-	-	12,500,000	
Consultant								
Li Tan Yeung, Richard	9 Apr 2008	9 Apr 2008 – 8 Apr 2013	5,000,000	-	-	-	5,000,000	0.28
			17,500,000	-	-	-	17,500,000	
Employees								
	9 Apr 2008	9 Apr 2008 – 8 Apr 2013	10,000,000	-	-	-	10,000,000	0.28
			27,500,000	-	-	-	27,500,000	

Notes:

- i. The options granted on 9 April 2008 were measured using the Black-Scholes Option Pricing Model (the "Model") which was performed by an independent valuer, RHL Appraisal Limited. The inputs into the Model are summarised as follows:

Date of grant	9 April 2008
Expected volatility	97.99%
Expected life (year)	5
Risk-free interest rate	2.113%
Expected annual dividend yield	Nil
Fair value per option (HK\$)	0.18606

- ii. The volatility measured at the standard deviation of expected share price is based on statistical analysis of daily shares over the period of five years from the date immediately preceding the grant date. The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the share options and the historical volatility of the Company shares set out above.

- iii. The risk free rate is the yield of the 5-year Hong Kong Exchange Fund Notes as at the date of grant.
- iv. The closing market price per ordinary share of HK\$0.01 each of the Company immediately before the date on which the options were granted as quoted in the Hong Kong Stock Exchange's daily quotation sheets was HK\$0.23.

No relevant share options had been exercised, cancelled or lapsed during the six months ended 30 June 2010.

As a result of a rights issue (see note 15(b) below) became unconditional on 6 July 2010, the exercise price of the share options granted has been adjusted from HK\$0.28 to HK\$0.0935 and the number of share options has been adjusted from 27,500,000 shares to 82,352,941 shares.

13. OPERATING LEASES COMMITMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 2 to 5 years.

At 30 June 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2010 HK\$'000 Unaudited	31 December 2009 HK\$'000 Audited
Within one year	1,295	1,755
In the second to fifth year, inclusive	2,928	3,447
After five years	–	75
	4,223	5,277

14. OTHER COMMITMENTS

In addition to the operating lease commitments detailed in note 13 to the condensed financial statements, at 30 June 2010, the Group and the Company had the following commitments:

- On 28 January 2008, the Company entered into a non-legally binding memorandum of understanding (the “MOU 2”) with China Innovation Investment Limited (“China Innovation”) a then independent third party and a company listed on the Main Board of the Stock Exchange of Hong Kong Limited, in respect of the strategic co-operation in the civil and military dual-use optoelectronic industry. Pursuant to the MOU 2, China Innovation will base on its first right of refusal to invest in two LED optoelectronic projects, namely 上海大晨光電科技有限公司 (Shanghai Morning Optoelectronic Technology Limited, “SMOTL”), primarily engaged in the New LED lighting Project, and 雲南天達光伏科技股份有限公司 (Yunnan Tianda Photovoltaic Co., Ltd., “Yunnan Tianda”), primarily engaged in the New Solar Energy Project, of 中國兵器工業集團公司 (China North Industries Group Corporation “CNGC”) to provide support to the Company on the manufacturing, assembling and development of LED optoelectronic products and related civil and military dual-use products. The Company will provide strategic solutions and distribution channels to the CNGC’s optoelectronic enterprises, which are principally engaged in manufacturing of LED optoelectronic products and are also subject to potential investment by China Innovation.
- On 18 March 2008, the Company entered into a cooperation letter of intent (the “LOI”) with China Innovation and 南京北方信息產業集團有限公司 (Nanjing North Information Industry Group Co., Ltd. “NNII”), a wholly-owned subsidiary of CNGC. Pursuant to the LOI, the Company, China Innovation and NNII will jointly participate in the share restructuring of 南京北方慧華光電有限公司 (Nanjing North Weihaw Optics Electronics Co., Ltd. “NNWO”) which is currently controlled by NNII and engaged in the New Media LCD Project. Upon completion of the restructuring, NNWO will continue to regard civil and military dual-use optoelectronic products as its principal scope of business.
- On 18 June 2008, the Company, China innovation and 北京北方光電有限公司 (China Opto-Electro Industries Co., Ltd. (“COEI”), a wholly-owned subsidiary of CNGC, entered into a cooperation framework agreement, pursuant to which the Company and China Innovation have been granted a first right of refusal to acquire not more than 30% equity interests or not more than 30 million shares of COEI under the capital restructuring of COEI. The Company and China Innovation have also agreed to contribute to COEI the first right of refusal to invest in SMOTL (New LED Lighting Project), Yunnan Tianda (New Solar Energy Project) and NNWO (New Media LCD Project) to avoid potential competition.

There was no further development of the cooperation during the period.

15. EVENTS AFTER THE REPORTING PERIOD

- (a) On 21 June 2010, Mr. Yu Shu Kuen (“Mr. Yu”) entered into a sale and purchase agreement with an independent third party to dispose (i) the entire issued share capital of Ace Solution Technology Limited (“Ace Solution”) and (ii) the shareholder’s loan due from Ace Solution to Mr. Yu at the consideration of HK\$3,605,967. Pursuant to a sale and purchase agreement (as supplemented by two deeds of assignment and novation dated 30 September 2009 and 1 December 2009 respectively) entered into between Mr. Yu and the Company, Mr. Yu shall be obliged to pay approximately HK\$74,000, being 50% of the net proceeds of the disposal as stated above, to the Company. The disposal was completed on 30 July 2010.
- (b) On 8 July 2010, the Company completed a rights issue and raised gross proceeds of approximately HK\$134,998,000 (before expenses) by issuing 3,374,958,000 rights shares at a price of HK\$0.04 per rights share on the basis of four rights shares for every one existing share held by qualifying shareholders.
- (c) As a result of a rights issue became unconditional on 6 July 2010, the conversion price of the convertible bonds has been adjusted from HK\$0.125 per share to HK\$0.037 per share with effect retroactively on 15 June 2010 pursuant to the terms and conditions of the convertible bonds. On 7 July 2010, the Company received the conversion notices from the holders of the convertibles bonds to exercise the conversion rights attached to the convertible bonds for the principal amount of HK\$89,403,264 in aggregate. After the allotment and issue of 2,416,304,432 conversion shares at the adjusted conversion price of HK\$0.037 by the Company on 9 July 2010, an aggregate principal amount of HK\$505,596,736 of the convertible bonds remains outstanding.
- (d) On 12 July 2010, the Company had, through Asian Capital (Corporate Finance) Limited, informed the board of directors of C Y Foundation Group Limited (the “Offeree”), a company listed on the Main Board of the Stock Exchange, that the Company was contemplating making a voluntary securities exchange general offer for all the issued shares of the Offeree involving the issue of new shares of the Company (the “Possible Offer”). The Company was in the process of determining the terms and conditions of the Possible Offer. It had been contemplated that the making of the Possible Offer may constitute a very substantial acquisition of the Company under the GEM Listing Rules and accordingly, the making of the Possible Offer will be subject to, among other things, the approval of shareholders of the Company in accordance with the requirements of the GEM Listing Rules.

16. RELATED PARTIES TRANSACTIONS

The Group and the Company had the following material transactions with related parties during the period/year:

	Six Months ended 30 June 2010 HK\$'000 Unaudited	Year ended 31 December 2009 HK\$'000 Audited
New Era Group (China) Limited (<i>note a</i>)		
Rental paid	480	320
Rental deposit paid	160	160
New Era Foundation (China) Limited (<i>note b</i>)		
Rental paid	486	-
Rental deposit paid	170	170

- (a) The Company entered into a tenancy agreement (the "Tenancy Agreement A") with New Era Group (China) Limited (the "Landlord A"), a company of which Mr. Xiang Xin, a director of the Company, is also a director. Pursuant to the Tenancy Agreement A, the Landlord A agreed to lease to the Company an office premise for a term of 36 months commencing on 1 July 2008. The Company shall pay a deposit of HK\$160,000 and a monthly rental of HK\$80,000 to the Landlord A with the rental free period for the period from 1 July 2008 to 31 August 2008. The deposit was included in prepayments, deposits and other receivables (note 9) in the statement of financial position.
- (b) On 1 December 2009, a subsidiary of the Company, a subsidiary newly acquired by the Company on 30 December 2009, entered into a tenancy agreement (the "Tenancy Agreement B") with New Era Foundation (China) Limited (the "Landlord B"), a company of which Mr. Xiang Xin, a director of the Company, is also a director. Pursuant to the Tenancy Agreement B, the Landlord B agreed to lease to the Company's subsidiary two office premises for a term of 36 months commencing on 1 January 2010. The Company's subsidiary shall pay a deposit of RMB150,000 (equivalent to approximately HK\$170,000) and a monthly rental of RMB71,000 (equivalent to approximately HK\$81,000) to the Landlord B with no rental free period. The deposit was included in prepayments,

The related party transactions were conducted on terms negotiated between the Company and the related company.

17. CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities at the balance sheet date.

18. INTERIM DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS**FINANCIAL REVIEW**

During the six months ended 30 June 2010, the Group recorded a revenue of approximately HK\$24,738,000 (six months ended 30 June 2009: HK\$25,027,000), representing a decrease of 1.2%.

During the six months ended 30 June 2010, the Group incurred a loss of approximately HK\$3,949,000 (six months ended 30 June 2009: HK\$5,526,000). 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 will be financed by a refundable deposit ("Deposit") paid by the Group in October 2008 upon completion of the acquisition. The deposit was interest-free. Trademarks under the Copyright Acquisition will be transferred to the Group from the vendor at nil consideration upon completion. The acquisition is subject to and conditional upon shareholders' approval. A circular setting out the details of the acquisition will be sent to shareholders by the Group in due course.

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 contract energy management in relation to the application of new energy numerical control system on solar electric vehicles.

OUTLOOK AND PROSPECT

The Group is principally engaged in the development of digital product solutions, including the existing business of mobile product solutions, as well as the business of energy-saving digital product applications.

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 contract energy management (CEM). Moreover, revenue from sales of traditional products is transformed into revenue from contract energy management services in order to upgrade the Company's income.

Contract energy management 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 contract energy management 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.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

The Group continued to finance its operation and expenditure mainly through internally generated fund and the net proceeds from the Placing.

The Group maintained a healthy liquidity position with a current ratio of approximately 1.02 (30 June 2009: 8.95) and total cash and bank balances amounted to approximately HK\$475,902,000 (30 June 2009: HK\$7,080,000). As at 30 June 2010, the gearing ratio based on total debts over total equity was zero (30 June 2009: zero).

CAPITAL STRUCTURE AND FLUCTUATION IN EXCHANGE

Details in the changes of the capital structure of the Company during the six months ended 30 June 2010 are set in note 11 to the condensed consolidated financial statements. The capital of the Group comprised only ordinary shares as at 30 June 2010.

During the period under review, sales and purchases of the Group were mainly transacted in US dollars and Hong Kong dollars. As at 30 June 2010, substantial portion of the assets and liabilities of the Group were current in nature, and the amounts were principally denominated in US dollars and Hong Kong dollars, foreign exchange risk was considered to be minimal.

COMPLETION OF RIGHTS ISSUE

The Company completed a rights issue on 8 July 2010 which raised gross proceeds of approximately HK\$134,998,000 (before expenses) by issuing 3,374,958,000 rights share at a price of HK\$0.04 per rights share on the basis of four rights shares of every one existing share held by qualifying shareholders.

EMPLOYEES

As at 30 June 2010, there was a total of 10 (30 June 2009: 10) staff employed by the Group. The staff costs, including directors' remuneration, for the six months period ended 30 June 2010 were approximately HK\$1,479,000 (six months period ended 30 June 2009: HK\$934,000). The total amount comprised salaries, wages and allowance, medical and insurance coverage, pension fund scheme and discretionary bonus.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS

Save for the Nopo Acquisition as disclosed in note 11(i) above, during the period under review, the Group did not have any significant investment or material acquisitions.

Save for the commitments disclosed in note 13 and 14 to condensed consolidated financial statements, as at 30 June 2010, neither the Group nor the Company had any significant commitments.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARE CAPITAL

As at 30 June 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 THE UNDERLYING SHARES OF THE COMPANY – SHARE OPTIONS

Name	Date of grant	Exercisable 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	0.28	5,000,000 (L)	0.59%
Wong Chak Keung	9 April 2008	9 April 2008 to 8 April 2013	Beneficial owner	0.28	5,000,000 (L)	0.59%
Zhang Zhan Liang	9 April 2008	9 April 2008 to 8 April 2013	Beneficial owner	0.28	2,500,000 (L)	0.30%

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

Name	Number of interest	Nature of underlying Shares for Convertible Bonds	Approximately percentage of interests
Xiang Xin (note 2)	Interest of controlled corporation	1,621,520,000 (L)	192.18%
Wong Chak Keung	Beneficial owner	32,967,600 (L)	3.91%

Notes:

1. The letter "L" denotes the Shareholders' long position in the Shares.
2. The underlying Shares of the Company are held by Honour Sky International Limited. Mr. Xiang Xin is the sole director of Honour Sky International Limited and Mr. Xiang's family member(s) (excluding Mr. Xiang) is/are the ultimate beneficiaries of Honour Sky International Limited.

Save as disclosed above, as at 30 June 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.

(B) SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 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	Number of interest	Number of Shares held	Approximately percentage of interests
Morgan Strategic Limited	Beneficial owner	160,720,000 (L)	19.05%
Top Ten International s.a.r.l. (note 2)	Interest of controlled corporation	160,720,000 (L)	19.05%
Chen Darren (note 2)	Interest of controlled corporation	160,720,000 (L)	19.05%
Tao Xue Juan (note 3)	Interest of controlled corporation	160,720,000 (L)	19.05%

(ii) *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
China Technology Education Trust Association (note 4)	Beneficial owner	2,460,176,000 (L)	291.58%
Honour Sky International Limited	Beneficial owner	1,621,520,000 (L)	192.18%
Chinese Star (PTC) Ltd. (note 5)	Interest of controlled corporation	1,621,520,000 (L)	192.18%
Kung Ching (note 5)	Interest of controlled corporation	1,621,520,000 (L)	192.18%
HSBC International Trustee Limited (note 6)	Interest of controlled corporation and trustee of a trust	1,621,520,000 (L)	192.18%
Ocean Space Development Limited	Beneficial owner	330,520,000 (L)	39.17%
Zhang Shao Cai (note 7)	Interest of controlled corporation	330,520,000 (L)	39.17%
Metropower Holdings Limited	Beneficial owner	153,848,800 (L)	18.23%
Timepeak Holdings Limited (note 8)	Interest of controlled corporation	153,848,800 (L)	18.23%
Wang Yan Li (note 8)	Interest of controlled corporation	153,848,800 (L)	18.23%
Morgan Strategic Limited	Beneficial owner	128,000,000 (L)	15.17%
Top Ten International s.a r.l. (note 2)	Interest of controlled corporation	128,000,000 (L)	15.17%
Chen Darren (note 2)	Interest of controlled corporation	128,000,000 (L)	15.17%
Tao Xue Juan (note 3)	Interest of controlled corporation	128,000,000 (L)	15.17%

Notes:

1. The letter "L" denotes the Shareholders' long position in the Shares.
2. Morgan Strategic Limited is a private company owned 40% 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 and the underlying Shares of the Company held by Morgan Strategic.
3. Morgan Strategic Limited is a private company owned 60% by Ms. Tao Xue Jun. Accordingly, Ms. Tao Xue Jun is interested in the Shares and the underlying Shares held by Morgan Strategic Limited.
4. 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.
5. 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 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.
6. The underlying Shares 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. The family members of Mr. Xiang Xin (but not including Mr. Xiang) are the discretionary beneficiaries of The New Era Development No. 1 Trust.
7. 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 underlying Shares held by Ocean Space Development Limited.

8. Metropower Holdings Limited is a private company wholly and beneficially owned by Timepeak Holdings Limited ("Timepeak") and Timepeak is a private company wholly and beneficially owned by Mr. Wang Yan Li. Accordingly, Timepeak and Mr. Wang Yan Li are interested in the underlying Shares held by Metropower Holdings Limited.
9. The approximately percentage of interests in the Company is calculated on the basis of 843,739,500 Shares in issue as at 30 June 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 June 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

Details of the share option scheme of the Company are set out in note 12 to the condensed consolidated financial statements.

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 six months ended 30 June 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 six months ended 30 June 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.

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 August 2010