



# 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 **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.*

## **HIGHLIGHTS**

- Reported a revenue of approximately HK\$49,445,000 for the six months ended 30 June 2011
- Reported a net profit after tax of approximately HK\$1,159,000 and a basic earnings per share attributable to owners of the Company of 0.02 HK cents for the six months ended 30 June 2011

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

	Notes	Six months ended		Three months ended	
		30 June		30 June	
		2011 HK\$'000 Unaudited	2010 HK\$'000 Unaudited	2011 HK\$'000 Unaudited	2010 HK\$'000 Unaudited
<b>REVENUE</b>	4	<b>49,445</b>	24,738	<b>20,786</b>	13,342
Cost of sales		(45,478)	(24,441)	(20,514)	(13,188)
Gross profit		<b>3,967</b>	297	<b>272</b>	154
Other income and gains	4	<b>1,207</b>	108	<b>1,040</b>	22
Administrative and other operating expenses		(4,015)	(4,354)	(2,085)	(2,174)
Other impairment losses		—	—	—	—
<b>PROFIT/(LOSS) BEFORE TAX</b>	5	<b>1,159</b>	(3,949)	<b>(773)</b>	(1,998)
Income tax expense	6	—	—	—	—
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>1,159</b>	(3,949)	<b>(773)</b>	(1,998)
Attributable to:					
Owners of the Company		<b>1,133</b>	(3,869)	<b>(769)</b>	(1,959)
Non-controlling interests		<b>26</b>	(80)	<b>(4)</b>	(39)
		<b>1,159</b>	(3,949)	<b>(773)</b>	(1,998)
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>					
Basis	7	<b>0.02 cents</b>	(0.47) cents	<b>(0.01) cents</b>	(0.24) cents
Diluted	7	<b>N/A</b>	N/A	<b>N/A</b>	N/A

	Six months ended		Three months ended	
	30 June		30 June	
	2011	2010	2011	2010
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>Unaudited</b>	Unaudited	<b>Unaudited</b>	Unaudited
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>1,159</b>	(3,949)	<b>(773)</b>	(1,998)
<b>OTHER COMPREHENSIVE INCOME:</b>				
Exchange difference or translation of foreign operations	<b>843</b>	(55)	<b>337</b>	—
<b>Other comprehensive income for the period, net of tax</b>	<b>843</b>	(55)	<b>337</b>	—
<b>TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD</b>	<b>2,002</b>	(4,004)	<b>(436)</b>	(1,998)

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

The unaudited consolidated statement of financial position as at 30 June 2011, together with the audited consolidated statement of financial position as at 31 December 2010, were as follows:

	<i>Notes</i>	<b>30 June 2011 HK\$'000 Unaudited</b>	31 December 2010 HK\$'000 Audited
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		2,727	2,835
Available-for-sale investments		—	—
Intangible assets	8	527,279	527,279
Deferred tax assets		—	—
Prepaid licenses fee		—	—
<b>Total non-current assets</b>		<b>530,006</b>	530,114
<b>CURRENT ASSETS</b>			
Inventories		23,020	1,164
Trade receivables		18,969	—
Prepayments, deposits and other receivables	9	24,751	12,883
Cash and bank balances	10	73,453	111,503
<b>Total current assets</b>		<b>140,193</b>	125,550
<b>CURRENT LIABILITIES</b>			
Trade payables		15,369	—
Other payables and accruals		952	902
Tax payable		(2,995)	46
Due to a director		13,995	13,840
<b>Total current liabilities</b>		<b>27,321</b>	14,788
<b>NET CURRENT ASSETS</b>		<b>112,872</b>	110,762
<b>NET ASSETS</b>		<b>642,878</b>	640,876
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	11	66,350	66,350
Equity component of convertible bonds		391,534	391,534
Reserves		183,542	181,574
		<b>641,426</b>	639,458
Non-controlling interests		1,452	1,418
<b>TOTAL EQUITY</b>		<b>642,878</b>	640,876

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Issued capital HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Equity component of convertible bonds HK\$'000	Special reserve HK\$'000 (Note (a))	Capital reserve HK\$'000 (Note (b))	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-Controlling interests HK\$'000	Total equity HK\$'000
<b>Unaudited</b>											
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
<b>Unaudited</b>											
As at 1 January 2011	66,350	235,563	5,117	391,534	11,157	(1,638)	672	(69,297)	639,458	1,418	640,876
Profit/(Loss) for the period	-	-	-	-	-	-	-	1,133	1,133	26	1,159
Other comprehensive income	-	-	-	-	-	-	835	-	835	8	843
Total comprehensive income for the period	-	-	-	-	-	-	835	1,133	1,968	34	2,002
As at 30 June 2011	66,350	235,563	5,117	391,534	11,157	(1,638)	1,507	(68,164)	641,426	1,452	642,878

**Notes:**

- (a) Special 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 31 July 2002.
- (b) Capital reserve represents the difference of capital injected by the Group in subsidiaries and the adjustment of non-controlling interest as a consequence of its non-contribution resulting with a decrease in shareholding in those subsidiaries.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2011</b>	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>Unaudited</b>	Unaudited
Net cash inflow/(outflow) from operating activities	<b>(26,464)</b>	(985)
Net cash outflow from investing activities	<b>(11,586)</b>	(28)
Net cash inflow from financing activities	—	470,151
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(38,050)</b>	469,138
Cash and cash equivalents at beginning of the period	<b>111,503</b>	6,764
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>73,453</b>	475,902
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances <i>(note 10)</i>	<b>73,453</b>	475,902



## 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 the trading of LED/LCD and related products and developing the energy-saving applications for digital products, which mainly make use of the energy management contract (CEM) 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.

### 2.1 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 2010.

### 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 2011. 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 two reportable operating segments as follows:

- (a) the trading of LED/LCD and related products segment is involved in the trading of LED/LCD and related products; and
- (b) energy-saving applications for digital products, which mainly make use of the energy management contract (CEM) and BOT mechanism.

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 2011

	Trading of LED/LCD and related products <i>HK\$'000</i>	Energy- saving applications <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:			
Sales to external customers	49,445	—	49,445
Intersegment sales	—	—	—
	<b>49,445</b>	<b>—</b>	<b>49,445</b>
Reconciliation:			
Elimination of intersegment sales			—
Revenue			<b>49,445</b>
Segment results	3,967	—	3,967
Reconciliation:			
Other income and gains			1,207
Unallocated expenses			(4,015)
Other impairment losses			—
Profit/(Loss) before tax			1,159
Income tax expense			—
Profit/(Loss) for the period			<b>1,159</b>

Period ended 30 June 2010

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

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

	Six months ended 30 June				Three months ended 30 June			
	2011		2010		2011		2010	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	Unaudited		Unaudited		Unaudited		Unaudited	
China	49,445	100%	24,738	100%	20,786	100%	13,342	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	
	2011 HK\$'000 Unaudited	2010 HK\$'000 Unaudited	2011 HK\$'000 Unaudited	2010 HK\$'000 Unaudited
<b>Revenue</b>				
Sales of goods	49,445	24,738	20,786	13,342
<b>Other income and gains</b>				
Others	1,207	108	1,040	22
	<b>50,652</b>	<b>24,846</b>	<b>21,826</b>	<b>13,364</b>

#### 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	
	2011 HK\$'000 Unaudited	2010 HK\$'000 Unaudited	2011 HK\$'000 Unaudited	2010 HK\$'000 Unaudited
Cost of sales	45,478	24,441	20,514	13,188
Auditors' remuneration	120	105	60	45
Depreciation	294	200	145	100
Employee benefits expense (including directors' remuneration)				
— wages and salaries	1,119	1,338	593	710
— pension scheme contributions	75	14	33	4
— others	63	127	44	71
	<b>1,257</b>	<b>1,479</b>	<b>670</b>	<b>785</b>
Minimum lease payments under operating lease in respect of land and buildings	996	1,118	472	559

## 6. INCOME TAX EXPENSE

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

## 7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings/(loss) per share for the six months ended 30 June 2011 is based on the unaudited net profit/(loss) attributable to the owners of the Company for the six months ended 30 June 2011 and the weighted average number of ordinary shares in issue during the six months ended 30 June 2011.

The calculations of basic profit/(loss) per share are based on:

	Six months ended 30 June		Three months ended 30 June	
	2011 HK\$'000 Unaudited	2010 HK\$'000 Unaudited	2011 HK\$'000 Unaudited	2010 HK\$'000 Unaudited
Profit/(Loss) attributable to owners of the Company, used in the basic loss per share calculation	1,133	(3,869)	(769)	(1,959)

	Six months ended 30 June		Three months ended 30 June	
	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	821,308,561	6,635,001,932	821,308,561

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

## 8. INTANGIBLE ASSETS

	Trade mark <i>HK\$'000</i> <i>(note (a))</i>	Group Rights in sharing of profit streams from computer games competition operation in Internet cafes <i>HK\$'000</i> <i>(note (b))</i>	Copyright of a film library <i>HK\$'000</i> <i>(note (c))</i>	Right granted by a mobile location- based service provider <i>HK\$'000</i> <i>(note (d))</i>	Total <i>HK\$'000</i>
<b>30 June 2011</b>					
Cost	17	482,794	25,000	19,485	527,296
Accumulated amortisation and impairment	(17)	—	—	—	(17)
Net carrying amount	—	482,794	25,000	19,485	527,279
<b>31 December 2010</b>					
Cost	17	482,794	25,000	19,485	527,296
Accumulated amortisation and impairment	(17)	—	—	—	(17)
Net carrying amount	—	482,794	25,000	19,485	527,279

*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 Streams 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)* Copyright of a film library (the “Copyright”) represents the copyright of five series (a total of 320 episodes) and 16 education series of an animation 神探威威貓 and the related music songs with an indefinite useful lives at a consideration of HK\$25,000,000.

*Note (d)* The balance of HK\$19,485,000 represents the right (the “Agent Rights”) granted by a mobile location-based service provider to a subsidiary of the Company as an agent of the products of the mobile location-based services provider in the PRC and the sole franchised dealer in overseas market.

## 9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 June 2011 HK\$'000</b>	31 December 2010 HK\$'000
Prepayments	512	349
Deposit for acquisition of Full Smart ( <i>note (a)</i> )	11,400	—
Deposit for a co-operation agreement ( <i>note (b)</i> )	12,000	11,800
Rental deposit	340	337
Other receivables	499	397
	<b>24,751</b>	<b>12,883</b>

### Notes:

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

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

The balance of HK\$11,400,000 represents the deposit paid by the Company in January 2011.

- (b) On 7 July 2010, 博思夢想(中國)有限公司, a subsidiary of the Company, entered into a cooperation agreement (the “博思 Cooperation Agreement”) with 博思夢想文化傳播有限公司, a related company of the Company, of which Ms. Yu Lei (于蕾) is a common director of both companies, for the joint establishment and operation of an online education platform, video production platform, reward redemption platform and advertisement broadcasting platform (the “Online Platforms”). Pursuant to the 博思 Cooperation Agreement, 博思夢想(中國)有限公司 is required to provide a capital contribution of RMB40,000,000 (equivalent to approximate HK\$47,200,000) for the Online Platforms. As at 3 December 2010, a deposit in the amount of RMB10,000,000 (equivalent to approximate HK\$12,000,000) was paid by 博思夢想(中國)有限公司 and the Group had a commitment of RMB30,000,000 (equivalent to approximate HK\$36,000,000) in this respect.

## 10. CASH AND CASH EQUIVALENTS

	30 June 2011 <i>HK\$'000</i>	31 December 2010 <i>HK\$'000</i>
Cash and bank balances	33,170	21,038
Time deposits	40,283	90,465
	<b>73,453</b>	<b>111,503</b>

## 11. SHARE CAPITAL

	30 June 2011 <i>HK\$'000</i> Unaudited	31 December 2010 <i>HK\$'000</i> Audited
Authorised:		
30,000,000,000 ordinary shares of HK\$0.01 each	<b>300,000</b>	300,000
Issued and fully paid:		
6,635,001,932 (2010: 6,635,001,932) ordinary shares of HK\$0.01 each	<b>66,350</b>	66,350



## 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 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 2011, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 82,352,941, representing 1.24% of the shares of the Company in issue.

Details of the options granted under the Scheme and outstanding at 30 June 2011 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\$ (Note vi)
			as at 1 January 2011				as at 30 June 2011	
<b>Directors</b>								
Xiang Xin	9 April 2008	9 April 2008 – 8 April 2013	14,973,262	–	–	–	14,973,262	0.0935
Zhang Zhan Liang	9 April 2008	9 April 2008 – 8 April 2013	7,486,631	–	–	–	7,486,631	0.0935
			22,459,893	–	–	–	22,459,893	
<b>Consultant</b>								
Li Tan Yeung, Richard	9 April 2008	9 April 2008 – 8 April 2013	14,973,262	–	–	–	14,973,262	0.0935
			37,433,155	–	–	–	37,433,155	
<b>Employees</b>								
	9 April 2008	9 April 2008 – 8 April 2013	44,919,786	–	–	–	44,919,786	0.0935
			82,352,941	–	–	–	82,352,941	

**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 Company recognised total expenses of approximately HK\$7,442,000 for the year ended 31 December 2008 in relation to share options granted.
- v. 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.
- vi. The exercise price of the options was adjusted from HK\$0.28 per share option to HK\$0.0935 per share option following the completion of the right issue of the Company on 8 July 2010.

No relevant share options had been exercised, cancelled or lapsed during the six months ended 30 June 2011.

### 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 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2011 HK\$'000 Unaudited</b>	31 December 2010 HK\$'000 Audited
Within one year	<b>1,987</b>	1,773
In the second to fifth year, inclusive	<b>2,346</b>	2,210
After five years	—	88
	<b>4,333</b>	4,071

### 14. OTHER COMMITMENTS AND EVENTS AFTER THE REPORTING PERIOD

In addition to the operating lease commitments detailed in note 13 to the condensed financial statements, at 30 June 2011, the Group and the Company had the following commitments:

- (a) As detailed in note 9 (a) to the financial statements. 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 at a consideration of HK\$228,000,000.

On 29 June 2011, the Company entered into a supplemental agreement (the "Supplemental Agreement") with the Vendor to vary the terms of the Agreement in respect of the Acquisition, (i) 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.

Pursuant to the Supplemental Agreement, an additional deposit HK\$11,400,000 was paid in cash by the Company on 13 July 2011.

The acquisition constitute a major transaction of the Company under the GEM Listing Rules. At the date of approving the financial statements, the acquisition is still subject to, inter alias, the approval of the independent shareholders of the Company.

- (b) As detailed in note 9(b) to the financial statements. Capital commitment for investment in the establishment and operation of an online education platform, video production platform, reward redemption platform and advertisement broadcasting platform of RMB30,000,000 (equivalent to approximately HK\$36,000,000).

## 15. 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	
	2011 HK\$'000 Unaudited	2010 HK\$'000 Unaudited
New Era Group (China) Limited ( <i>note a</i> )		
Rental paid	480	480
Rental deposit paid	160	160
New Era Foundation (China) Limited ( <i>note b</i> )		
Rental paid	468	480
Rental deposit paid	180	170

*Notes:*

- (a) The Company entered into a tenancy agreement (the "Tenancy Agreement A") with New Era Group (China) Limited ("New Era"), a company of which Mr. Xiang Xin, a director of the Company, is also a director. Pursuant to the Tenancy Agreement A, New Era agreed to lease to the Company an office premise for a term of 36 months commencing on 1 July 2008. On 1 January 2011, the Company agreed to renew and extend the terms of the Tenancy Agreement A with New Era for a term of three years commencing from 1 July 2011 and expiring on 30 June 2014. The Company shall pay a deposit of HK\$160,000 and a monthly rental of HK\$80,000 to New Era. 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 博思夢想(中國)有限公司, entered into a tenancy agreement (the "Tenancy Agreement B") with New Era Foundation (China) Limited ("New Era China"), a company of which Mr. Xiang Xin, a director of the Company, is also a director. Pursuant to the Tenancy Agreement B, New Era China agreed to lease to 博思夢想(中國)有限公司 two office premises for a term of 36 months commencing on 1 January 2010. 博思夢想(中國)有限公司 shall pay a deposit of RMB150,000 (equivalent to approximately HK\$180,000) and a monthly rental of RMB71,000 to New Era China with no rental free period. The deposit was included in prepayments, deposits and other receivables (note 9) in the statement of financial position.

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

**16. CONTINGENT LIABILITIES**

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

**17. INTERIM DIVIDENDS**

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

During the six months ended 30 June 2011, the Group recorded a revenue of approximately HK\$49,445,000 (six months ended 30 June 2010: HK\$24,738,000), representing an increase of 99.9%.

During the six months ended 30 June 2011, the Group reported a profit of approximately HK\$1,159,000 (six months ended 30 June 2010: a loss of HK\$3,949,000). The profit was mainly attributable to the increase of trading business.

### 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 management contract (CEM) and BOT mechanism which would ultimately apply to different sectors in the society.

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

## **PROSPECT**

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

According to the CEM 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 realised 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.

## 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 5.13 (30 June 2010: 1.02) and total cash and bank balances amounted to approximately HK\$73,453,000 (30 June 2010: HK\$475,902,000). As at 30 June 2011, the gearing ratio based on total debts over total equity was zero (30 June 2010: 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 2011 are set in note 11 to the condensed consolidated financial statements. The capital of the Group comprised only ordinary shares as at 30 June 2011.

The group has transactional currency exposures as the sales and purchases of the Group were mainly transacted in Renminbi ("RMB") and Hong Kong dollar ("HKD"). As at 30 June 2011, substantial portion of the assets and liabilities of the Group were current in nature, and the amount were principally denominated in RMB and HKD. The group's financial policies seek to control the foreign currency fluctuation risk of individual transactions. The management of the Group has been monitoring the exchange risk, and will consider hedging major foreign currency risk when required.

## EMPLOYEES

As at 30 June 2011, there was a total of 12 (30 June 2010: 10) staff employed by the Group. The staff costs, including directors' remuneration, for the six months period ended 30 June 2011 were approximately HK\$1,257,000 (six months period ended 30 June 2010: HK\$1,479,000). The total amount comprised salaries, wages and allowance, medical and insurance coverage, pension fund scheme and discretionary bonus.

## PROPOSED ACQUISITION

Save for the Full Smart Acquisition as disclosed in note 14 above, during the period under review, the Group did not have any significant investment or material acquisitions.



**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARE CAPITAL**

As at 30 June 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 ISSUED SHARES**

Name	Nature of interest	Number of Share 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	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	0.0935	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**

<b>Name</b>	<b>Number of interest</b>	<b>Nature of underlying Shares for Convertible Bonds</b>	<b>Approximately percentage of interests</b>
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 Xin is the sole director of the company and Mr. Xiang's family member(s) (excluding Mr. Xiang) is/are the ultimate beneficiaries of such company.

Save as disclosed above, as at 30 June 2011, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares or underlying Shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 30 June 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 was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any member of the Company:

*(i) Interest in issued Shares*

Name	Number of interest	Number of Shares held	Approximately percentage of interests
Honour Sky International Limited	Beneficial owner	1,650,914,973 (L)	24.88%
Chinese Star (PTC) Ltd. <i>(note 2)</i>	Interest of controlled corporation	1,650,914,973 (L)	24.88%
Kung Ching <i>(note 2)</i>	Interest of controlled corporation	1,650,914,973 (L)	24.88%
HSBC International Trustee Limited <i>(note 3)</i>	Trustee	1,650,914,973 (L)	24.88%
Morgan Strategic Limited	Beneficial owner	1,236,032,432 (L)	18.63%
Top Ten International s.a r.l. <i>(note 4)</i>	Interest of controlled corporation	1,236,032,432 (L)	18.63%
Chen Darren <i>(note 4)</i>	Interest of controlled corporation	1,236,032,432 (L)	18.63%
Tao Xue Juan <i>(note 5)</i>	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 <i>(note 6)</i>	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 Convertible Bonds	Approximately percentage of interests
China Technology Education Trust Association (note 7)	Beneficial owner	8,311,405,405 (L)	125.27%
Honour Sky International Limited	Beneficial owner	3,827,193,135 (L)	57.68%
Chinese Star (PTC) Ltd. (note 2)	Interest of controlled corporation	3,827,193,135 (L)	57.68%
Kung Ching (note 2)	Interest of controlled corporation	3,827,193,135 (L)	57.68%
HSBC International Trustee Limited (note 3)	Trustee	3,827,193,135 (L)	57.68%
Joy China Group Limited (note 8)	Trustee	2,843,500,000 (L)	42.86%
Ding Yi Ning (note 8)	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 6)	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 Chinese Star (PTC) Ltd. Accordingly, Chinese Star (PTC) Ltd. is interested in the Shares and the underlying Shares of the Company held by Honour Sky International Limited. Ms. Kung Ching, the spouse of Mr. Xiang Xin, is also the director of Chinese Star (PTC) Ltd. and is taken to be interested in the Shares and underlying Shares of the Company held by Honour Sky International Limited.
3. The Shares and the underlying Shares of the Company are held by Chinese Star (PTC) Ltd., a company incorporated in the British Virgin Islands (indirectly through various wholly owned subsidiaries) in its capacity as trustee of The New Era Unit Trust, almost the entire issued units of which (i.e. 8,751,602 units out of 8,751,603 units) are held by HSBC International Trustee Limited, in its capacity as trustee of The New Era Development No. 1 Trust. Mr. Xiang's family members (but not including Mr. Xiang) are the discretionary beneficiaries of The New Era Development No. 1 Trust.

4. Morgan Strategic Limited is a private company 40% owned by Top Ten International s.a r.l. (“Top Ten”) and Top Ten is a private company wholly and beneficially owned by Mr. Chen Darren. Accordingly, Top Ten and Mr. Chen Darren are interested in the Shares of the Company held by Morgan Strategic Limited.
5. Morgan Strategic Limited is a private company owned 60% by Ms. Tao Xue Juan. Accordingly, Ms. Tao Xue Juan is interested in the Shares of the Company held by Morgan Strategic Limited.
6. Ocean Space Development Limited, a company incorporated in the British Virgin Islands, is a private company wholly and beneficially owned by Mr. Zhang Shao Cai. Accordingly, Mr. Zhang Shao Cai is interested in the Shares and the underlying Shares of the Company held by Ocean Space Development Limited.
7. The underlying Shares of the Company are held by China Technology Education Trust Association (the “Association”), a society registered under the provisions of section 5A(1) of the Societies Ordinance in 2005, which is a charitable society providing charity and financial aid to education and employment in Hong Kong and Mainland China. Mr. Xiang Xin is a council member of the Association.
8. As disclose in note 14 above, 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.
9. The approximately percentage of interests in the Company is calculated on the basis of 6,635,001,932 Shares in issue as at 30 June 2011.

Save as disclosed above, as at 30 June 2011, no person, other than the directors and chief executive of the Company, whose interests are set out in the section “Directors’ and chief executive’s interests and short positions in Shares and underlying Shares” above, had registered an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## **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 period under review, the Company had complied with the requirements of the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 15 of the GEM Listing Rules, except that the Company has no fixed terms of appointment for non-executive Directors. Independent non-executive Directors are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the relevant provision under the Articles of Association of the Company. Such practice deviates from the provision A.4.1 of the CG Code which requires that non-executive Directors be appointed for a specific term. The Board has discussed and concluded the current practice of appointing independent non-executive Directors without specific terms but otherwise subject to rotation and re-election by shareholders was fair and reasonable, and does not intend to change the current practice at the moment.

## 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 six months ended 30 June 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.

## DIRECTORS OF THE COMPANY

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

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

Hong Kong, 12 August 2011