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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 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 announcement, 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 announcement 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 announcement misleading.

HIGHLIGHTS

- Turnover for the year ended 31 December 2011 amounted approximately to HK$85,367,000
- Net loss attributable to owners was HK$502,368,000 with basic loss per share of HK$7.57 cents

RESULTS

The board (the "Board") of directors (the "Directors") of China Trends Holdings Limited (the "Company") are pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2011, together the audited comparative figures for the corresponding year in 2010 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
REVENUE	*4*	**85,367**	37,108
Cost of sales		**(79,222)**	(36,730)
Gross profit		**6,145**	378
Other income and gains	*4*	**2,313**	2,776
Administrative and other operating expenses		**(8,517)**	(12,193)
Impairment losses on intangible assets		**(502,279)**	—
LOSS BEFORE TAX	*5*	**(502,338)**	(9,039)
Income tax expenses	*6*	**—**	—
LOSS FOR THE YEAR		**(502,338)**	(9,039)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**2,540**	678
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(499,798)**	(8,361)

	Notes	**2011** *HK$'000*	2010 *HK$'000*
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company	*7*	**(502,368)**	(8,813)
Non-controlling interests		**30**	(226)
		(502,338)	(9,039)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(499,854)**	(8,141)
Non-controlling interests		**56**	(220)
		(499,798)	(8,361)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*7*		
Basic		**(7.57) cents**	(0.24) cents
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,082**	2,835
Intangible assets	*8*	**25,000**	527,279
Deposits paid for acquisition of an investment	*9*	**22,800**	—
Total non-current assets		**50,882**	530,114
CURRENT ASSETS			
Inventories		**1,137**	1,164
Trade and bills receivables	*10*	**40,341**	—
Prepayments, deposits and other receivables	*11*	**36,744**	12,883
Cash and bank balances		**57,095**	111,503
Total current assets		**135,317**	125,550
CURRENT LIABILITIES			
Trade payables	*12*	**1,598**	—
Deposits received		**38,372**	—
Other payables and accruals		**544**	902
Tax payable		**—**	46
Due to a director		**4,607**	13,840
Total current liabilities		**45,121**	14,788
NET CURRENT ASSETS		**90,196**	110,762
TOTAL ASSETS LESS CURRENT LIABILITIES		**141,078**	640,876
NET ASSETS		**141,078**	640,876
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*13*	**66,350**	66,350
Equity component of convertible bonds		**391,534**	391,534
Other reserves		**(318,280)**	181,574
		139,604	639,458
Non-controlling interests		**1,474**	1,418
Total equity		**141,078**	640,876

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Attributable to owners of the Company										
	Issued capital	Share premium account	Share option reserve	Foreign currency translation reserve	Equity component of convertible bonds	Special reserve	Capital reserve	Accumulated losses	Total	Non-controlling 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*
At 1 January 2010	7,037	75,330	5,117	—	460,768	11,157	—	(60,484)	498,925	—	498,925
Total comprehensive income/(loss) for the year	—	—	—	672	—	—	—	(8,813)	(8,141)	(220)	(8,361)
Acquisition of non-controlling interests	—	—	—	—	—	—	(1,638)	—	(1,638)	1,638	—
Issue of shares	1,400	16,100	—	—	—	—	—	—	17,500	—	17,500
Rights issues	33,750	101,248	—	—	—	—	—	—	134,998	—	134,998
Rights issues expenses	—	(2,186)	—	—	—	—	—	—	(2,186)	—	(2,186)
Conversion of convertible bonds	24,163	45,071	—	—	(69,234)	—	—	—	—	—	—
At 31 December 2010 and 1 January 2011	66,350	235,563	5,117	672	391,534	11,157	(1,638)	(69,297)	639,458	1,418	640,876
Total comprehensive income/(loss) for the year	—	—	—	2,514	—	—	—	(502,368)	(499,854)	56	(499,798)
At 31 December 2011	66,350	235,563	5,117	3,186	391,534	11,157	(1,638)	(571,665)	139,604	1,474	141,078

Notes:

1. CORPORATE INFORMATION

China Trends Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is situated at 26/F., No. 9 Des Voeux Road West, Sheung Wan, Hong Kong.

The principal activity of the Company is investment holding. The Group is principally engaged in the trading electronic equipments, components and LCD/LED products.

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 financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange ("GEM Listing Rules") and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2.2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2011. 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 year 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. OPERATING SEGMENT INFORMATION

The Group's revenue and result for the year ended 31 December 2011 were mainly derived from its operating segment of trading of electronic equipments, components and LCD/LED products.

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

(a) the trading of electronic equipments, components and LED/LCD products segment is involved in trading of LED/LCD and related products and components; and

(b) the media operating segment is involved in provision of online media platforms and multi-media and advertising business.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, impairment losses on intangible assets, and exchange gains as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude the amount due to a director, tax payable and other unallocated head office and corporate liabilities, as these liabilities are managed on a group basis.

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.

	For the year ended 31 December					
	Trading of electronic equipments, components and LCD/LED products		**Media business**		**Consolidated total**	
	2011	2010	**2011**	2010	**2011**	2010
	HK'000	*HK'000*	***HK'000***	*HK'000*	***HK'000***	*HK'000*
Segment revenue:						
Sales to external customers	**85,367**	37,108	**—**	—	**85,367**	37,108
Intersegment sales	**—**	—	**—**	—	**—**	—
	85,367	37,108	**—**	—	**85,367**	37,108
Reconciliation:						
Elimination of intersegment sales					**—**	—
Revenue					**85,367**	37,108
Segment results	**(3,014)**	378	**—**	—	**(3,014)**	378
Reconciliation:						
Elimination of intersegment sales					**—**	—
Other income and gains					**2,313**	2,776
Impairment losses on intangible assets					**(502,279)**	—
Unallocated expenses					**642**	(12,193)
Loss before tax					**(502,338)**	(9,039)
Income tax expenses					**—**	—
Loss for the year					**(502,338)**	(9,039)
Segment assets	**79,061**	—	**25,000**	552,440	**104,061**	552,440
Unallocated assets					**82,138**	103,224
Total assets					**186,199**	655,664
Segment liabilities	**40,083**	—	**—**	14,233	**40,083**	14,233
Unallocated liabilities					**5,038**	555
Total liabilities					**45,121**	14,788
Other segment information:						
Capital expenditure	**830**	1,881	**—**	—	**830**	1,881
Depreciation and amortisation	**253**	239	**433**	410	**686**	649

Geographical information

(a) Revenue from external customers

	2011	2010
	HK'000	*HK'000*
Mainland China (excluding HK)	**85,367**	37,108

The revenue information is based on the location of the customers.

(b) Non-current assets (excluding Intangible assets and deposits)

	2011	2010
	HK'000	*HK'000*
Hong Kong	**588**	718
Mainland China (excluding HK)	**2,494**	2,117
	3,082	2,835

Information about a major customer

Revenue of approximately HK$62,216,000 was derived from sales to a single customer during the year ended 31 December 2011 (2010: HK$24,738,000).

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:

	2011	2010
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**85,367**	37,108
Other income and gains		
Bank interest income	**390**	478
Exchange gains, net	**1,404**	1,824
Others	**519**	474
	2,313	2,776

5. LOSS BEFORE TAX

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

	2011	2010
	HK$'000	*HK$'000*
Cost of sales	**79,222**	36,730
Auditors' remuneration		
— Annual audit	**240**	232
— Other assurance services	**—**	188
Total auditors' remuneration	**240**	420
Employee benefits expenses (including directors' remuneration):		
— Wages and salaries	**1,990**	2,268
— Others	**246**	251
— Pension scheme contributions	**35**	55
Total employee benefits expenses	**2,271**	2,574
Depreciation	**686**	649
Minimum lease payments under operating leases, land and buildings	**1,935**	2,274
Impairment losses on intangible assets	**502,279**	—

6. INCOME TAX EXPENSES

Hong Kong profits tax has not been provided for the years ended 31 December 2010 and 2011 as the Group did not generate any assessable profits arising in Hong Kong during the years. Tax arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25% for both years.

	2011	2010
	HK$'000	*HK$'000*
Hong Kong Profits Tax — Current	**—**	—
PRC on Enterprise Income Tax — Current	**—**	—
Deferred tax	**—**	—
Total tax charge for the year	**—**	—

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

The reconciliation between the income tax for the year and the loss before tax multiplied by the Hong Kong profits tax rate is as follows:

	2011	2010
	HK$'000	*HK$'000*
Loss before tax:	**(502,338)**	(9,039)
Tax at the statutory tax rate of 16.5% (2010: 16.5%)	**(83,375)**	(455)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**740**	(1,036)
Income not subject to tax	**(366)**	(381)
Expenses not deductible for tax	**78,259**	—
Tax effect of taxes losses not recognised	**4,742**	1,872
Tax charge at the Group's effective tax rate	**—**	—

At 31 December 2011, the Group has unused tax losses of approximately HK$57,556,000 (2010: HK$32,497,000) available indefinitely for offset against future profits. No deferred tax asset (2010: HK$nil) has been recognised in respect of such tax losses, due to the unpredictability of future profit streams.

7. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year.

The calculation of basic loss per share is based on:

	2011	2010
	HK$'000	*HK$'000*
Earnings		
Loss for the year attributable to owners of the Company, used in the basic loss per share calculation	**(502,368)**	(8,813)

	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year used in basic loss per share calculation	**6,635,001,932**	3,693,818,700

No adjustment has been made to the basic loss per share presented for the years ended 31 December 2010 and 2011 in respect of a dilution as the share options, warrants and convertible bonds outstanding during the year had an anti-dilutive effect on the basic loss per share.

8. INTANGIBLE ASSETS

	Year ended 31 December 2011				
	Trade mark *HK$'000*	Rights in sharing of profit streams from online network operation in internet cafes *HK$'000* *(note (a))*	Copyright of a film library *HK$'000* *(note (b))*	Right granted by a mobile location-based service provider *HK$'000* *(note (c))*	Total *HK$'000*
GROUP					
At 1 January 2011					
Cost	—	482,794	25,000	19,485	527,279
Accumulated amortisation and impairment	—	—	—	—	—
Net carrying amount	—	482,794	25,000	19,485	527,279
At 1 January 2011, net of accumulated amortisation and impairment	—	482,794	25,000	19,485	527,279
Impairment	—	(482,794)	—	(19,485)	(502,279)
At 31 December 2011, net of accumulated amortisation and impairment	—	—	25,000	—	25,000
At 31 December 2011					
Cost	—	482,794	25,000	19,485	527,279
Accumulated amortisation and impairment	—	(482,794)	—	(19,485)	(502,279)
Net carrying amount	—	—	25,000	—	25,000

	Year ended 31 December 2010				
	Trade mark *HK$'000*	Rights in sharing of profit streams from online network operation in internet cafes *HK$'000* *(note (a))*	Copyright of a film library *HK$'000* *(note (b))*	Right granted by a mobile location-based service provider *HK$'000* *(note (c))*	Total *HK$'000*
GROUP					
At 1 January 2010					
Cost	17	482,794	—	—	482,811
Accumulated amortisation and impairment	(17)	—	—	—	(17)
Net carrying amount	—	482,794	—	—	482,794
At 1 January 2010, net of accumulated amortisation and impairment	—	482,794	—	—	482,794
Additions	—	—	25,000	—	25,000
Acquisition of a subsidiary	—	—	—	19,485	19,485
At 31 December 2010, net of accumulated amortisation and impairment	—	482,794	25,000	19,485	527,279
At 31 December 2010					
Cost	—	482,794	25,000	19,485	527,279
Accumulated amortisation and impairment	—	—	—	—	—
Net carrying amount	—	482,794	25,000	19,485	527,279

	Year ended 31 December 2011		
	Trade mark *HK$'000*	**Copyright of a film library** *HK$'000* *(note (b))*	**Total** *HK$'000*
COMPANY			
At 1 January 2011			
Cost	—	25,000	25,000
Accumulated amortisation and impairment	—	—	—
Net carrying amount	—	25,000	25,000
At 1 January 2011, net of accumulated amortisation and impairment	—	—	—
Additions	—	—	—
At 31 December 2011, net of accumulated amortisation and impairment	—	—	—
At 31 December 2011			
Cost	—	25,000	25,000
Accumulated amortisation and impairment	—	—	—
Net carrying amount	—	25,000	25,000

	Year ended 31 December 2010		
	Trade mark *HK$'000*	Copyright of a film library *HK$'000* *(note (b))*	Total *HK$'000*
COMPANY			
At 1 January 2010			
Cost	17	—	17
Accumulated amortisation and impairment	(17)	—	(17)
Net carrying amount	—	—	—
At 1 January 2010, net of accumulated amortisation and impairment	—	—	—
Additions	—	25,000	25,000
At 31 December 2010, net of accumulated amortisation and impairment	—	25,000	25,000
At 31 December 2010			
Cost	—	25,000	25,000
Accumulated amortisation and impairment	—	—	—
Net carrying amount	—	25,000	25,000

Notes:

(a) The rights (the "C Y Rights") in sharing of profit streams (the "Profit Streams") from online network operation in internet cafes of approximately HK$482,794,000 represents the C Y Rights arising from an co-operation agreement (the "C Y Co-operation Agreement") entered into between a subsidiary of the Company and C Y Foundation Group Limited. Pursuant to the C Y Co-operation Agreement, the Group is entitled to participate in the co-operation and share the Profits Streams for a period of 15 years.

During the year, the execution of the C Y Co-operation Agreement was interrupted. Due to the unpredictability of future profit streams, an impairment loss of the C Y Rights of approximately HK$482,794,000 was recognised in the consolidated financial statements for the year.

(b) 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 named 神探威威貓 and the related music songs which was acquired during the last reporting period, with an indefinite useful lives at a consideration of HK$25,000,000. The fair value of the Copyright has been assessed by the directors under the cost methodology. No impairment has been provided as the fair value less costs to sell is higher than its carrying amount at the end of the reporting period.

In determining the fair value less costs to sell, the directors had based on the assumptions that there will be no material change in existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of the Company.

(c) 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.

During the year, the execution of the project was interrupted. Due to the unpredictability of future profit streams, an impairment loss of the Agent Rights of approximately HK$19,485,000 was recognised in the consolidated financial statements for the year.

9. DEPOSITS PAID FOR ACQUISITION OF AN INVESTMENT

	2011	2010
	HK$'000	*HK$'000*
Deposit paid for acquisition of Full Smart Asia Limited *(note (a))*	**22,800**	—

Note:

(a) On 7 January 2011, the Company, entered into a sale and purchase agreement with Joy China Group Limited (the "Vendor") and Mr. Ding Yi Ning (the "Guarantor") (collectively as "All Parties"), pursuant to which the Company will acquire 100% equity interest in Full Smart Asia Limited ("Full Smart") (collectively as "Sales Shares") and its subsidiaries (the "Target Group") of the Vendor at a consideration of HK$228,000,000 (the "Full Smart Agreement"). The consideration shall be satisfied by the Company in the following manner: (i) cash amounting to HK$11,400,000 as deposit, (ii) HK$113,740,000 shall be satisfied by issuing convertible bonds to the Vendor; and (iii) the balance of HK$102,860,000 shall be satisfied by issuing the promissory note to the Vendor at completion. The proposed completion of this transaction was on or before 29 July 2011. Details of the terms and conditions of Full Smart Agreement are set out in the Company's announcement dated 7 January 2011.

During the reporting period, the Company has paid a deposit of HK$11,400,000 ("First Deposit") to the Vendor pursuant to the Full Smart Agreement. On 29 June 2011, All Parties entered into a supplemental agreement ("First Supplemental Agreement"), the Company is required to pay the Vendor with an additional HK$11,400,000 in cash ("Second Deposit"), since the Company need additional time to consider the structure of the Target Group with the Vendor, All Parties agreed that the completion of this transaction was postponed to on or before 31 December 2011. The balance of HK$22,800,000 represents the total First Deposit and Second Deposit paid to the Vendor, the said deposits are interest-free and refundable in accord to the conditions of the Full Smart Agreement. Details of the First Supplemental Agreement are set out in the Company's announcement dated 29 June 2011.

On 23 December 2011, All Parties entered into a second supplemental agreement ("Second Supplemental Agreement") to vary the terms of the Full Smart Agreement and First Supplemental Agreement. Pursuant to Second Supplemental Agreement, the Company and the Vendor have agreed to turn HK$22,800,000 deposit paid by the Company into 20% of the Sale Share in next reporting period on 1 January 2012. The Company also reserve the right to acquire the remaining 80% of the equity interest in Full Smart before 1 January 2015.

10. TRADE AND BILLS RECEIVABLES

The Group grants a credit period normally ranging from cash on delivery to 30–180 days to its trade customers.

	Group	
	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**1,969**	—
Bills receivable	**38,372**	—
Less: impairments	**—**	—
	40,341	—

An aged analysis of the trade receivables as at the end of the reporting period before the impairment during the year, based on the invoice date, is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Within 30 days	**1,969**	—

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**468**	349	**345**	316
Deposit paid for a co-operation agreement *(note (a))*	**—**	11,800	**—**	—
Rental deposit	**429**	337	**160**	160
Trade deposit	**35,839**	—	**—**	—
Other receivables	**8**	397	**4**	—
	36,744	12,883	**509**	476

Notes:

(a) On 7 July 2010, 博思夢想(中國)有限公司 (transliterated Boss (China) Systems Limited) ("BCSL"), a subsidiary of the Company, entered into a cooperation agreement (the "Project Cooperation Agreement") with 博思夢想文化傳播有限公司 (Boss Dream Cultural Communication Company Limited*) ("the BDCCL"), a related company of the Company, of which 于蕾女仕 ("Ms. Yu"*) 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 Project Cooperation Agreement, the BCSL is required to provide a capital contribution of RMB40,000,000 (equivalent to approximate HK$47,200,000) for the operation of the Online Platforms and the BDCCL will not share any profit arising therefrom. As at 31 December 2010, a deposit in the amount of RMB10,000,000 (equivalent to approximate HK$11,400,000) was paid by the BCSL and the Group had a commitment of RMB30,000,000 (equivalent to approximate HK$35,400,000) in this respect.

On 1 October 2011, BCSL and BDCCL had agreed that the Project Cooperation Agreement has been terminated. The first Phase Deposit has been refunded to BCSL during the reporting period.

* *The English name is for identification only*

12. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period based on the invoice date, is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Within 30 days	**1,598**	—

The trade payables are non-interest-bearing and are normally settled on 30 to 180 day terms.

13. SHARE CAPITAL

	2011	2010
	HK$'000	*HK$'000*
Authorised:		
30,000,000,000 ordinary shares of HK$0.01 each	**300,000**	300,000
Issued and fully paid:		
6,635,001,932 ordinary shares of HK$0.01 each	**66,350**	66,350

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

	Notes	**Number of shares in issue** *HK$'000*	**Issued share capital** *HK$'000*	**Share premium account** *HK$'000*	**Total**
At 1 January 2010		703,739,500	7,037	75,330	82,367
Issue of shares	*(i)*	140,000,000	1,400	16,100	17,500
Rights issues	*(ii)*	3,374,958,000	33,750	101,248	134,998
Rights issues expenses		—	—	(2,186)	(2,186)
Conversion of convertible bonds	*(iii)*	2,416,304,432	24,163	45,071	69,234
At 31 December 2010 and 2011		6,635,001,932	66,350	235,563	301,913

Notes:

(i) Upon completion of the acquisition of Nopo International Limited ("Nopo") on 22 January 2010, a total of 140,000,000 consideration shares of HK$0.01 each of the Company were allotted and issued to an independent third party (the "Nopo Vendor") at a consideration of HK$0.125 per share on 25 January 2010.

(ii) Pursuant to an ordinary resolution passed by the shareholders of the Company on 14 June 2010, the Company issued a total of 3,374,958,000 rights shares (the "Rights Shares") on the basis of 1 existing share for 4 Rights Shares (the "Rights Issue") at a subscription price of HK$0.04 per each of the Rights Share. The issue of Rights Shares was completed on 8 July 2010 with a gross proceed of approximately HK$134,998,000.

(iii) On 7 July 2010, the Company received conversion notices from the holders of the Convertible Bonds to exercise the conversion rights attaching to the Convertible Bonds for the principal amount of approximately HK$89,403,000 at an adjusted conversion price of HK$0.037 per share following the completion of the Right Issue. Upon completion of the conversion, 2,416,304,432 shares of HK$0.01 each of the Company were allotted and issued on 9 July 2010.

14. CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities at the end of the reporting period.

15. OPERATING LEASE COMMITMENTS

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

At 31 December 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2011	2010
	HK$'000	*HK$'000*
Within one year	**2,345**	1,773
In the second to fifth years, inclusive	**3,542**	2,210
After five years	**—**	88
	5,887	4,071

16. OTHER COMMITMENTS AND EVENTS AFTER THE REPORTING PERIOD

At 31 December 2010, the capital commitment for investment in the establishment and operation of an online education platform, video production platform, reward redemption platform and advertisement broadcasting platform (the "Investment Project") of RMB30,000,000 (equivalent to approximately HK$35,400,000), this Investment Project has been terminated, agreed by both parties during the reporting period.

17. RELATED PARTY TRANSACTIONS

(i) Save as those disclosed elsewhere in these financial statements, the Group and the Company had the following material transactions with related parties during the year:

		Group		**Company**	
		2011	2010	**2011**	2010
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
New Era Group (China) Limited	*(a)*				
Rental paid		**960**	960	**960**	960
Rental deposit paid		**160**	160	**160**	160
New Era Foundation (China) Limited	*(b)*				
Rental paid		**627**	990	**—**	—
Rental deposit paid		**177**	177	**—**	—

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 has control. 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. 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 11). On 1 January 2011, the term of Tenancy Agreement A has been extended a 36 months commencing on 1 July 2011, agreed by both the Company and New Era.

(b) On 1 December 2009, a subsidiary of the Company, the BCSL 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 has control. Pursuant to the Tenancy Agreement B, New Era China agreed to lease to the BCSL two office premises for a term of 36 months commencing on 1 January 2010, the BCSL shall pay a deposit of RMB150,000 (equivalent to approximately HK$177,000) and a monthly rental of RMB71,000 to New Era China with no rent free period. The deposit was included in prepayments, deposits and other receivables (note 11).

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

(ii) Compensation of key management personnel of the Company:

	2011 ***HK$'000***	2010 *HK$'000*
Salaries, allowances and benefits in kind	**560**	635
Equity-settled share option expenses	**—**	—
Pension scheme contributions	**2**	18
	562	653

DIVIDEND

The Directors did not recommend a final dividend for the year ended 31 December 2011 (2010: Nil).

CHAIRMAN'S STATEMENT

On behalf of the Board (the "Board") of directors (the "Directors") of China Trends Holdings Limited (the "Company"), I am pleased to present to you the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011.

Financial Review

During the year ended 31 December 2011, the Group recorded a revenue of approximately HK$85,367,000 (2010: HK$37,108,000), representing an increase of 130%. The increase in revenue was due to the expansion the trading business of the Group.

During the year ended 31 December 2011, the Group incurred a loss of approximately HK$502,338,000 (2010: HK$9,039,000) in which the loss attributable to the shareholders of the Company was approximately HK$502,368,000 (2010: HK$8,813,000). The loss was mainly due to the impairment losses on intangible assets.

Operational Review

1. On 7 January 2011, the Company entered into the sale and purchase agreement with Joy China Group Limited (the "Vendor"), pursuant to which the Company has agreed to acquire 100% equity interest in Full Smart Asia Limited at a consideration of HK$228,000,000 (the "Acquisition"), HK$11,400,000 was paid in cash by the Company to the Vendor.

   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. An additional HK$11,400,000 was paid in cash by the Company to the Vendor as interest-free refundable deposit.

   On 23 December 2011, the Company entered into a second supplemental agreement with the Vendor to vary the terms of the agreement and first supplemental agreement of the Acquisition, with effect from 1 January 2012, (i) the Company and the Vendor have agreed to turn HK$22,800,000 deposit paid by the Company into 20% of the sale share; and (ii) the Company reserve the right to acquire the remaining 80% of the sale share before 1 January 2015 by paying HK$113,740,000 convertible bonds and HK$91,460,000 promissory note to the Vendor when the net asset value of Full Smart Asia Limited and Dooda Innovation (China) Limited reach HK$228,000,000.

2. On 1 September 2011, the Company entered into a cooperative framework agreement with independent third party and Boss Dream Cultural Communication Company Limited "Boss Cultural" to acquire the entire issued share capital of Beijing Need Education Technology Company Limited. The Company also terminated the Project Cooperation Agreement signed by a subsidiary of Company, Boss (China) Systems Limited and Boss Cultural dated 1 October 2011.

   On 17 February 2012, the Company decided to suspend acquiring the entire share capital of Beijing Need Education.

Outlook and Prospect

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, Financial Resources and Gearing

The Group continued to finance its operation and capital expenditure through internally generated fund, and support certain product solutions development and business expansion. The Group maintained a healthy liquidity position with a current ratio of approximately 3.0 (2010: 8.5) and total cash and bank balances amounted to approximately HK$57,095,000 (2010: HK$111,503,000) with no pledged deposits placed in banks for securing any borrowings or banking facilities. As at 31 December 2011, the gearing ratio based on total liabilities over total assets was approximately 24.23% (2010: 2.26%).

Capital Structure and Fluctuation In Exchange

The capital of the Company comprised ordinary shares, right issues and conversion of convertible bonds as at 31 December 2011. During the year under review, sales and purchases of the Group were mainly transacted in Renminbi, United States dollars and Hong Kong dollars. As at 31 December 2011, a substantial portion of the assets and liabilities of the Group were current in nature, and the amounts were principally denominated in Renminbi, United States dollars and Hong Kong dollars, foreign exchange risk was considered to be minimal.

Employees

As at 31 December 2011, there were a total of 15 (2010: 21) full-time staff employed by the Group. The staff costs including directors' remuneration for the year were approximately HK$2,271,000 (2010: HK$2,574,000). There was no equity-settled share option expenses (2010: NIL) for the year. The total amount comprised salaries, wages and allowance, medical and insurance coverage, pension scheme contributions and discretionary bonus.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

Save for the acquisition of the 20% of the issued share capital of Full Smart Asia Limited completed on 1 January 2012, there were no other significant investments nor material acquisition and disposal of subsidiaries and affiliated companies of the Company for the year ended 31 December 2011.

Proposed Acquisition

On 23 December 2011, the Company entered into a second supplemental agreement with Joy China Group Limited, with effect from 1 January 2012, the Company reserve the right to acquire the remaining 80% of the group of Full Smart Asia Limited before 1 January 2015 by paying HK$113,740,000 convertible bonds and HK$91,460,000 promissory note to the Vendor when the net asset value of group of Full Smart Asia Limited reach HK$228,000,000.

Charge, Contingent Liabilities and Commitments

As at 31 December 2011, the Group had commitments under operating lease amounting to approximately HK$5,887,000 (2010: HK$4,071,000) and there were no charges on any assets of the Group.

The Group did not have any contingent liabilities at the end of the reporting year. In addition to the operating lease commitments, the Group and the Company had no other commitments.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year 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:

1. Mr. Xiang Xin is the Chairman of the Board and the Chief Executive Officer of the Company. Such practice deviates from code provision A.2.1 of the CG Code which requires that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. After evaluation of the current situation of the Company and taking into account of the experience and past performance of Mr. Xiang, the Board is of the opinion that its is appropriate and in the best interests of the Company at the present stage for Mr. Xiang to hold both positions as the chairman and the chief executive officer of the Company as it helps to maintain the continuity of the policies and the stability of the operations of the Company.

2. The Company has no fixed terms of appointment for non-executive directors. The 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 article 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 is fair and reasonable, and does not intend to change the current practice at the moment.

BOARD PRACTICES AND PROCEDURES

The Company was in compliance with the Board Practices and Procedures as set out in Rule 5.34 of the GEM Listing Rules throughout the year.

AUDITORS

Ascenda Cachet CPA Limited, resigned as auditors of the Company on 29 December 2011. On 9 January 2012, ANDA CPA Limited ("ANDA") was appointed auditor of the Company. A resolution for the reappointed of ANDA as auditor of the Company will be proposed at forthcoming annual general meeting.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 16 July 2002 in accordance with the requirements of the GEM Listing Rules. The Audit Committee currently comprises all three independent non-executive directors of the Company, Mr. Zhang Zhan Liang as the Chairman and Mr. Kwok Chi Hung and Ms. An Jing as the members.

The Audit Committee examined the accounting principles and practices and practices adopted by the Company and discussed with the management its internal controls and accounts. The Audit Committee has reviewed the audited financial statements of the Company for the year ended 31 December 2011.

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 year.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company will be published on the Stock Exchange's and the Company's websites in due course.

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

Hong Kong, 5 March 2012

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

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. 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 announcement 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 announcement misleading.

This announcement will remain on GEM website on the "Latest Company Announcements" page for at least 7 days from the date of its posting and the Company website at www.8171.com.hk.