



**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 **2013**

## **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\$24,129,000 for the six months ended 30 June 2013
- Reported a net loss after tax of approximately HK\$5,242,000 and a basic loss per share attributable to owners of the Company of 0.08 HK cent for the six months ended 30 June 2013

**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 2013, together with the unaudited comparative amounts for the corresponding periods in 2012, as follows:

	Notes	Six months ended 30 June		Three months ended 30 June	
		2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited	2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited
<b>REVENUE</b>	4	<b>24,129</b>	133,539	<b>16,703</b>	34,054
Cost of sales		(23,201)	(128,484)	(16,048)	(33,225)
Gross profit		928	5,055	655	829
Other income and gains	4	271	285	25	197
Administrative and other operating expenses		(6,441)	(3,977)	(2,361)	(2,164)
<b>(LOSS)/PROFIT BEFORE TAX</b>	5	<b>(5,242)</b>	1,363	<b>(1,681)</b>	(1,138)
Income tax expenses	6	-	-	-	-
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<b>(5,242)</b>	1,363	<b>(1,681)</b>	(1,138)
<b>OTHER COMPREHENSIVE INCOME/(LOSS):</b>					
Exchange differences on translation of foreign operations		922	(199)	702	(199)
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>		<b>(4,320)</b>	1,164	<b>(979)</b>	(1,337)
<b>(LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO:</b>					
Owners of the Company		(5,219)	1,325	(1,672)	(1,140)
Non-controlling interests		(23)	38	(9)	2
		<b>(5,242)</b>	1,363	<b>(1,681)</b>	(1,138)

		Six months ended 30 June		Three months ended 30 June	
<i>Notes</i>		2013 <i>HK\$'000</i> Unaudited	2012 <i>HK\$'000</i> Unaudited	2013 <i>HK\$'000</i> Unaudited	2012 <i>HK\$'000</i> Unaudited
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO:</b>					
	Owners of the Company	(4,307)	1,129	(978)	(1,138)
	Non-controlling interests	(13)	35	(1)	1
		<b>(4,320)</b>	<b>1,164</b>	<b>(979)</b>	<b>(1,337)</b>
<b>(LOSS)/EARNINGS PER SHARE</b>					
	Basis (HK cents per share)	7 (0.08)	0.02	7 (0.03)	(0.02)
	Diluted (HK cents per share)	7 N/A	N/A	7 N/A	N/A

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

The unaudited condensed consolidated statement of financial position as at 30 June 2013, together with the audited consolidated statement of financial position as at 31 December 2012, were as follows:

	<i>Notes</i>	<b>30 June 2013 HK\$'000 Unaudited</b>	31 December 2012 HK\$'000 Audited
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,889	2,178
Intangible assets	8	25,000	25,000
Available-for-sale investments		22,800	22,800
		<b>49,689</b>	49,978
<b>CURRENT ASSETS</b>			
Trade receivables		10,426	8,777
Prepayments, deposits and other receivables	9	32,283	2,199
Cash and bank balances	10	41,795	77,484
		<b>84,504</b>	88,460
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		549	474
		<b>549</b>	474
<b>NET CURRENT ASSETS</b>			
		<b>83,955</b>	87,986
<b>NET ASSETS</b>			
		<b>133,644</b>	137,964
<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
Other reserves		(325,732)	(321,425)
		<b>132,152</b>	136,459
Non-controlling interests		1,492	1,505
<b>TOTAL EQUITY</b>			
		<b>133,644</b>	137,964

## 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	Foreign currency translation reserve HK\$'000	Equity component of convertible bonds HK\$'000	Special reserve HK\$'000 (Note (a))	Capital reserve HK\$'000 (Note (b))	Accumulated losses HK\$'000	Total HK\$'000	Non-Controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2012 (Audited)	66,350	235,563	5,117	3,186	391,534	11,157	(1,638)	(571,665)	139,604	1,474	141,078
Profit for the period	-	-	-	-	-	-	-	1,325	1,325	38	1,363
Other comprehensive loss	-	-	-	(196)	-	-	-	-	(196)	(3)	(199)
Total comprehensive income/(loss) for the period	-	-	-	(196)	-	-	-	1,325	1,129	35	1,164
At 30 June 2012 (Unaudited)	66,350	235,563	5,117	2,990	391,534	11,157	(1,638)	(570,340)	140,733	1,509	142,242
At 1 January 2013 (Audited)	66,350	235,563	5,117	3,812	391,534	11,157	(1,638)	(575,436)	136,459	1,505	137,964
Loss for the period	-	-	-	-	-	-	-	(5,219)	(5,219)	(23)	(5,242)
Other comprehensive income	-	-	-	912	-	-	-	-	912	10	922
Total comprehensive income/(loss) for the period	-	-	-	912	-	-	-	(5,219)	(4,307)	(13)	(4,320)
At 30 June 2013 (Unaudited)	66,350	235,563	5,117	4,724	391,534	11,157	(1,638)	(580,655)	132,152	1,492	133,644

### 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 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

	Six months ended 30 June	
	2013 <i>HK\$'000</i> Unaudited	2012 <i>HK\$'000</i> Unaudited
Net cash (used in)/generated by operating activities	(35,689)	37,904
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(35,689)</b>	<b>37,904</b>
Cash and cash equivalents at the beginning of the period	77,484	57,095
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>41,795</b>	<b>94,999</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balance	34,211	68,206
Non-pledged time deposits with original maturity of less than three months when acquired	7,584	26,793
	<b>41,795</b>	<b>94,999</b>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

China Trends Holdings Limited 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 (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.

The shares of the Company have been listed on the Growth Enterprise Market of the Stock Exchange since 31 July 2002.

### 2.1 BASIS OF PREPARATION

These unaudited condensed 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 unaudited condensed 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 2012.

### 2.2 ACCOUNTING POLICIES

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2013. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); 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 application of these new HKFRSs will not have material impact on the financial statements of the Group. 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 electronic equipments, components and LCD/LED products; and
- (b) the media operating segment is involved in provision of online media platforms and multi-media and advertising business.

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

#### Six months ended 30 June 2013 (Unaudited)

	Trading of electronic equipments, components and LCD/LED products <i>HK\$'000</i>	Media business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:			
Sales to external customers	24,129	–	24,129
Segment results	928	–	928
Reconciliation:			
Other income and gains			271
Unallocated expenses			(6,441)
Loss before tax			(5,242)
Income tax expenses			–
Loss for the period			(5,242)

Six months ended 30 June 2012 (Unaudited)

	Trading of electronic equipments, components and LCD/LED products <i>HK\$'000</i>	Media business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:			
Sales to external customers	133,539	–	133,539
Segment results	5,055	–	5,055
Reconciliation:			
Other income and gains			285
Unallocated expenses			(3,977)
Profit before tax			1,363
Income tax expenses			–
Profit for the period			1,363

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

	Six months ended 30 June				Three months ended 30 June			
	2013		2012		2013		2012	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	Unaudited		Unaudited		Unaudited		Unaudited	
Hong Kong	24,129	100%	–	0%	16,703	100%	–	0%
Mainland China (excluding HK)	–	0%	133,539	100%	–	0%	34,054	100%
	24,129	100%	133,539	100%	16,703	100%	34,054	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	
	2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited	2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited
<b>Revenue</b>				
Sales of goods	24,129	133,539	16,703	34,054
<b>Other income and gains</b>				
Bank interest income	270	187	25	117
Others	1	98	–	80
	<b>271</b>	<b>285</b>	<b>25</b>	<b>197</b>

#### 5. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging:

	Six months ended 30 June		Three months ended 30 June	
	2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited	2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited
Cost of sales	23,201	128,484	16,048	33,225
Auditors' remuneration	120	120	60	125
Depreciation	315	273	169	123
Employee benefits expense (including directors' remuneration)				
– wages and salaries	904	920	429	436
– pension scheme contributions	29	28	12	12
– others	117	76	52	52
	<b>1,050</b>	<b>1,024</b>	<b>493</b>	<b>500</b>
Minimum lease payments under operating lease in respect of land and buildings	976	962	487	481

## 6. INCOME TAX EXPENSES

No provision for taxation has been made since the Company has tax loss during the six months ended 30 June 2013 (six months ended 30 June 2012: Nil). Tax arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

## 7. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share for the period is based on the unaudited net (loss)/profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the six months ended 30 June 2013 and 30 June 2012.

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

	Six months ended 30 June		Three months ended 30 June	
	2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited	2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited
(Loss)/Profit attributable to owners of the Company, used in the basic (loss)/earnings per share calculation	(5,219)	1,325	(1,672)	(1,140)

	Six months ended 30 June		Three months ended 30 June	
	2013	2012	2013	2012
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation	6,635,001,932	6,635,001,932	6,635,001,932	6,635,001,932

The computation of the diluted (loss)/earnings per share does not assume the exercise of the Company's share options and convertible bonds as the exercise of the share options and convertible bonds will give rise to an anti-dilutive effect.

## 8. INTANGIBLE ASSETS

	Rights in sharing of profit streams from online network operation in Internet cafes <i>HK\$'000</i> <i>(note (a))</i>	Copyright of a film library <i>HK\$'000</i> <i>(note (b))</i>	Rights granted by a mobile location- based service provider <i>HK\$'000</i> <i>(note (c))</i>	Total <i>HK\$'000</i>
<b>At 30 June 2013 (Unaudited)</b>				
Cost	482,794	25,000	19,485	502,279
Accumulated amortisation and impairment losses	(482,794)	–	(19,485)	(502,279)
Carrying amount	–	25,000	–	25,000
<b>At 31 December 2012 (Audited)</b>				
Cost	482,794	25,000	19,485	527,279
Accumulated amortisation and impairment losses	(482,794)	–	(19,485)	(502,279)
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 2011, 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 2011.

- (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 year ended 31 December 2010, 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 rights granted by a mobile location-based service provider (the “Agent Rights”) 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 ended 31 December 2011, 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 same reporting period.

## 9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2013 <i>HK\$'000</i> Unaudited	31 December 2012 <i>HK\$'000</i> Audited
Prepayments	30,621	358
Deposits	400	396
Other receivables	1,262	1,445
	<b>32,283</b>	<b>2,199</b>

## 10. CASH AND BANK BALANCES

	30 June 2013 <i>HK\$'000</i> Unaudited	31 December 2012 <i>HK\$'000</i> Audited
Cash and bank balances	34,211	66,211
Time deposits	7,584	11,273
	<b>41,795</b>	<b>77,484</b>

## 11. SHARE CAPITAL

	30 June 2013 <i>HK\$'000</i> Unaudited	31 December 2012 <i>HK\$'000</i> Audited
Authorised:		
30,000,000,000 ordinary shares of HK\$0.01 each	300,000	300,000
Issued and fully paid:		
6,635,001,932 (2012: 6,635,001,932) ordinary shares of HK\$0.01 each	66,350	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, employees and consultants, unless otherwise cancelled or amended, was expired on 30 July 2012.

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.

Details of the options granted under the Scheme and outstanding at 30 June 2013 are as follows:

Grantee	Date of grant	Exercise period	Outstanding at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2013	Exercise price per share HK\$
<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
			<u>22,459,893</u>	<u>-</u>	<u>-</u>	<u>(22,459,893)</u>	<u>-</u>	
Employees	9 April 2008	9 April 2008 – 8 April 2013	14,973,262	-	-	(14,973,262)	-	0.0935
			<u>37,433,155</u>	<u>-</u>	<u>-</u>	<u>(37,433,155)</u>	<u>-</u>	

**Notes:**

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

Date of grant	9 April 2008
Expected volatility	97.99%
Expected life (year)	5
Risk-free interest rate	2.113%
Expected annual dividend yield	Nil
Fair value per option (HK\$)	0.18606
- ii. The volatility measured at the standard deviation of expected share price is based on statistical analysis of daily shares over the period of five years from the date immediately preceding the grant date. The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the share options and the historical volatility of the Company shares set out above.
- iii. The risk free rate is the yield of the 5-year Hong Kong Exchange Fund Notes as at the date of grant.
- iv. The closing market price per ordinary share of HK\$0.01 each of the Company immediately before the date on which the options were granted as quoted in the Stock Exchange's daily quotation sheets was HK\$0.23.

**13. OPERATING LEASES COMMITMENTS**

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

At 30 June 2013, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	<b>30 June 2013 HK\$'000 Unaudited</b>	31 December 2012 HK\$'000 Audited
Within one year	1,621	1,935
In the second to fifth year, inclusive	595	1,204
	<b>2,216</b>	<b>3,139</b>

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

Save for the operating lease commitments detailed in note 13 to the condensed consolidated financial statements, at 30 June 2013, the Group and the Company had no other commitment.

**15. RELATED PARTIES TRANSACTIONS**

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

	<b>Six months ended 30 June</b>	
	<b>2013 HK\$'000 Unaudited</b>	2012 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	326	468
Rental deposit paid	189	180

*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 9) in the condensed consolidated statement of financial position. On 1 January 2011, the term of Tenancy Agreement A has been extended a 36 months commencing from 1 July 2011, agreed by both the Company and New Era.
- (b) On 1 December 2009, a subsidiary of the Company Boss Dream (China) Limited (“Boss China”), 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 Boss China an office premises for a term of 48 months commencing on 1 January 2010. Boss China shall pay a deposit of RMB150,000 (equivalent to approximately HK\$189,000) and a monthly rental of RMB43,000 to New Era China with no rental free period. The deposit was included in prepayments, deposits and other receivables (note 9) in the condensed consolidated statement of financial position.

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

**16. CONTINGENT LIABILITIES**

As at 30 June 2013, the Group did not have any significant contingent liabilities.

**17. INTERIM DIVIDENDS**

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

During the six months ended 30 June 2013, the Group recorded a revenue of approximately HK\$24,129,000 (six months ended 30 June 2012: HK\$133,539,000), representing a decrease of 81.93%. The Group recorded a significant decrease as compared to that of previous period in revenue was mainly due to the bank account balance of Boss China was first frozen by Zhenjiang New District Public Security Bureau and after frozen by Zhenjiang Intermediate People's Court . That causes the trading business carried out by Boss China were all forced to be aborted. For the six months ended 30 June 2013, the Group recorded no revenue which was generated from Boss China (six months ended 30 June 2012: HK\$133,539,000).

During the six months ended 30 June 2013, the Group reported a loss of approximately HK\$5,242,000 (six months ended 30 June 2012: a profit of HK\$1,363,000).

### OPERATIONAL REVIEW

The Group is principally engaged in (i) trading of electronic technology and related products, and (ii) the low-carbon products applications. The existing business of low-carbon energy-saving digital products solutions and applications make use of the energy performance contracting (EPC) and BOT mechanism which would ultimately apply to different sectors in the society and different cities.

1. On 1 March 2013, the Company entered into an acquisition agreement with Mr. Wang Yaomin ("Mr. Wang"). The Company agreed to acquire and Mr. Wang agreed to sell the entire issued share capital of Jurassic International Investment Group Inc. (USA), the only authorised of Jurassic theme in PRC and related intellectual properties, with total consideration US\$100.
2. On 7 November 2012, the bank accounts balance amounting to RMB49 million of Boss China are being frozen by China Jiangsu Province Zhenjiang New District Public Security Bureau. On 20 February 2013, Boss China's bank account balance amounting to RMB23.5 million was frozen by Zhenjiang Intermediate People's Court for six months.

On 21 February 2013, Zhenjiang New District Public Security Bureau has revoked the frozen of RMB49 million in bank account of Boss China.

On 6 March 2013, Boss China received Court Summons (“the Prosecution”) in relation to Fujieda company (“Fujieda”) as plaintiff (“the Plaintiff”) claimed that Boss China has not delivered the goods to Fujieda according to the Copper Foil Supply Contract between Boss China and Fujieda which signed on 31 January 2011. The above mentioned frozen bank account balance of RMB23.5 million was in relation with the Prosecution.

On 19 March 2013, the PRC lawyer appointed by Boss China has submitted the “OBJECTION TO THE JURISDICTION OF APPLICATION” to the Zhenjiang Intermediate People’s Court in relation to the legal representative of Fujieda had never agreed to, recognised, approved or participate in the Prosecution. Furthermore, the official seal used by Fujieda was made by the mean of a false report and is not legally binding and not entitled on behalf of the Fejieda.

On 29 March 2013, Boss China submitted the “SUBJECT QUALIFICATION OBJECTION APPLICATION” to the Zhenjiang Intermediate People’s Court in relation to the Plaintiff was not legally entitled on behalf of the Fujieda and requests the court to dismiss the Prosecution.

On 3 April 2013, the PRC lawyer appointed by Boss China was informed that the current legal representative of Fujieda had appointed lawyer and submitted the “APPLICATION FOR WITHDRAWAL” to the Zhenjiang Intermediate People’s Court sealed with the legitimate official seal. Subsequently, the dispute hearing between Boss China and Fujieda which was originally scheduled on 10 April 2013 has been cancelled by Zhenjiang Intermediate People’s Court as informed by the lawyer.

As of the date of this report, Zhenjiang Intermediate People’s Court has not yet made any judgment and still in the process of hearing the evidence which were submitted by Boss China and Fujieda. Meanwhile, there is still RMB23.5 million in Boss China’s bank account was frozen by Zhenjiang Intermediate People’s Court. The Company is still actively appeal to the relevant authorities at the moment and will make further announcement if any progress.

3. On 26 April 2013, the Company entered into a conditional framework agreement to acquire the entire issued share capital of Think Device Limited (BVI) which is principally engaged in low-carbon culture. The framework agreement was valid until 25 October 2013.

4. On 5 June 2013, the Company entered into a cooperation framework agreement with Zhong Jin Land Development Limited (“Zhong Jin Land”) which the Company provide low-carbon city solutions to government around the country and combined to create “Citysky low-carbon city” project. Zhong Jin Land Development Limited as a real estate developers, will complete the construction project in accordance with the Company’s solutions and transfer the construction results to the company or person that designated by the Company.
5. To settle the dispute over the repayment obligation of the outstanding convertible bond as disclosed in the Company announcement dated 25 February 2013, the Company and Bondholders entered into the conditional Deed of Amendment on 18 April 2013 detailed as stated in the circular on 22 May 2013 which have been approved by shareholders at an extraordinary general meeting held on 14 June 2013. On 21 June 2013, the terms of the Deed of Amendment became unconditional and the maturity date of the outstanding convertible bonds is extended to 30 December 2015.
6. On 28 June 2013, the Company, Zhong Jin Land and Daqing Sheng Di Property Limited (“Sheng Di Property”) entered into a cooperation framework agreement in relation to Daqing Dream City Low Carbon City Project. The project includes planning and design of low-carbon city solutions, primary development and infrastructure construction, secondary development include theme park, spa hotel, residential building and commercial facilities.

## PROSPECT

According to the EPC energy management contract model and BOT mechanism, the Group provides a set of energy saving services, project financing, engineering construction, and related services to the clients in a contract of more than five years and realise the investment return by profit sharing on certain percentage with customers. The Group believes that the low-carbon city solutions which perfectly match PRC urban development policy and will bring huge opportunity for the Group in the future.

For trading business, the board is currently expanding the business of the Group in Hong Kong in order to reduce the impact of business suspension from Boss China to the Group.

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 154 (31 December 2012: 187) and total cash and bank balances amounted to approximately HK\$41,795,000 (31 December 2012: HK\$77,484,000). As at 30 June 2013, the gearing ratio based on total debts over total equity was zero (31 December 2012: 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 2013 are set in note 11 to the condensed consolidated financial statements. The capital of the Group comprised only ordinary shares as at 30 June 2013.

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 2013, 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 2013, there was a total of 10 staff employed by the Group. The staff costs, including directors' remuneration, for the six months ended 30 June 2013 were approximately HK\$1,050,000. The total amount comprised salaries, wages and allowance, medical and insurance coverage, pension fund scheme and discretionary bonus.



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

As at 30 June 2013, 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 Securities and Future Ordinance (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**

<b>Name</b>	<b>Nature of interest</b>	<b>Number of Share held</b>	<b>Approximately percentage of interests</b>
Xiang Xin ( <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%

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

<b>Name</b>	<b>Nature of interest</b>	<b>Number 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%
Kung Ching ( <i>note 2</i> )	Interest of controlled corporation	3,827,193,135 (L)	57.68%

*Notes:*

1. The letter "L" denotes the 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. Mr. Xiang Xin and Ms. Kung Ching are the ultimate beneficiaries of such company.

To settle the dispute over the repayment obligation of the outstanding convertible bond as disclosed in the Company announcement dated 25 February 2013, the Company and Bondholders entered into the conditional Deed of Amendment on 18 April 2013 detailed as stated in the circular on 22 May 2013 which have been approved by shareholders at an extraordinary general meeting held on 14 June 2013. On 21 June 2013, the terms of the Deed of Amendment became unconditional and the maturity date of the outstanding convertible bonds is extended to 30 December 2015.

Save as disclosed above, as at 30 June 2013, 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.

## **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES**

As at 30 June 2013, according to the register kept by the Company pursuant to section 336 of SFO, and so far as was 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	Nature of interest	Number of Shares held	Approximately percentage of interests (note 8)
Honour Sky International Limited	Beneficial owner	1,650,914,973 (L)	24.88%
New Times Global Capital Inc. (note 2)	Interest of controlled corporation	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. (note 3)	Interest of controlled corporation	1,236,032,432 (L)	18.63%
Chen Darren (note 3)	Interest of controlled corporation	1,236,032,432 (L)	18.63%
Tao Xue Juan (note 4)	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 (note 5)	Interest of controlled corporation	141,564,000 (L)	2.13%

**(II) INTEREST IN THE UNDERLYING SHARES OF THE COMPANY – CONVERTIBLE BONDS (note 9)**

<b>Name</b>	<b>Nature of interest</b>	<b>Number of underlying Shares for the Convertible Bonds</b>	<b>Approximately percentage of interests (note 8)</b>
China Technology Education Trust Association (note 6)	Beneficial owner	8,311,405,405 (L)	125.27%
Honour Sky International Limited	Beneficial owner	3,827,193,135 (L)	57.68%
New Times Global Capital Inc. (note 2)	Interest of controlled corporation	3,827,193,135 (L)	57.68%
Joy China Group Limited (note 7)	Trustee	2,843,500,000 (L)	42.86%
Ding Yi Ning (note 7)	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 5)	Interest of controlled corporation	975,057,621 (L)	14.70%

*Notes:*

1. The letter "L" denotes the long position in the Shares.
2. Honour Sky International Limited is a private company wholly and beneficially owned by New Times Global Capital Inc. Accordingly, New Times Global Capital Inc. is interested in the Shares and the underlying Shares of the Company held by Honour Sky International Limited. Mr. Xiang Xin and Ms. Kung Ching, each of them owns 50% share of New Times Global Capital Inc. and are also the director of New Times Global Capital Inc. and is taken to be interested in the Shares and underlying Shares of the Company held by Honour Sky International Limited.
3. 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.
4. Morgan Strategic Limited is a private company 60% owned by Ms. Tao Xue Juan. Accordingly, Ms. Tao Xue Juan is interested in the Shares of the Company held by Morgan Strategic Limited.
5. 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.
6. 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 chairman of the Association.
7. 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.

As disclose 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.

8. 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 2013.
9. To settle the dispute over the repayment obligation of the outstanding convertible bond as disclosed in the Company announcement dated 25 February 2013, the Company and Bondholders entered into the conditional Deed of Amendment on 18 April 2013 detailed as stated in the circular on 22 May 2013 which have been approved by shareholders at an extraordinary general meeting held on 14 June 2013. On 21 June 2013, the terms of the Deed of Amendment became unconditional and the maturity date of the outstanding convertible bonds is extended to 30 December 2015.

Save as disclosed above, as at 30 June 2013, 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:

1. Mr. Xiang Xin is the Chairman of the Board and the Chief Executive Officer of the Company up to 4 March 2013. 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 it 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.

Following the resignation of Mr. Xiang Xin and appointment of Mr. Wang Yaomin as Chairman of the Board on 4 March 2013, the Company complied with the code provisions in the Code A.2.1 accordingly.

2. 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 three independent non-executive directors of the Company, Mr. Zhang Zhan Liang as the Chairman, Ms. An Jing and Mr. Chen Yicheng as the members.

The Group's unaudited consolidated results for the six months ended 30 June 2013 have been reviewed by the Committee, which was of the opinion that such results have complied with the applicable accounting standards and that adequate disclosures have been made.



## **DIRECTORS OF THE COMPANY**

As at the date of this report, the executive Directors are Mr. Xiang Xin, Mr. Liang Xiaojin and Mr. Chen Banyan; the non-executive Director is Mr. Wang Yaomin; and the independent non-executive Directors are Mr. Zhang Zhan Liang, Ms. An Jing and Mr. Chen Yicheng. Ms. Kung Ching is alternate director to Mr. Xiang Xin.

By order of the Board

**China Trends Holdings Limited**

**Xiang Xin**

*Executive Director and Chief executive officer*

Hong Kong, 8 August 2013