



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 2012

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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 2012 amounted approximately to HK\$227,908,000
- Net loss attributable to owners was HK\$3,771,000 with basic loss per share of HK\$0.06 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 2012, together the audited comparative figures for the corresponding year in 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	<i>Notes</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
REVENUE	4	227,908	85,367
Cost of sales		(220,698)	(79,222)
Gross profit		7,210	6,145
Other income and gains	4	589	2,313
Administrative and other operating expenses		(11,544)	(8,517)
Impairment losses on intangible assets		–	(502,279)
LOSS BEFORE TAX	5	(3,745)	(502,338)
Income tax expenses	6	–	–
LOSS FOR THE YEAR		(3,745)	(502,338)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		631	2,540
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(3,114)	(499,798)

	<i>Notes</i>	2012 HK\$'000	2011 <i>HK\$'000</i>
(LOSS)/INCOME FOR THE YEAR			
ATTRIBUTABLE TO:			
Owners of the Company		(3,771)	(502,368)
Non-controlling interests		26	30
		<u>(3,745)</u>	<u>(502,338)</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME			
FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		(3,145)	(499,854)
Non-controlling interests		31	56
		<u>(3,114)</u>	<u>(499,798)</u>
LOSS PER SHARE			
	7		
Basic (<i>HK cents per share</i>)		<u>(0.06)</u>	<u>(7.57)</u>
Diluted (<i>HK cents per share</i>)		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	<i>Notes</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		2,178	3,082
Intangible assets		25,000	25,000
Available-for-sale investment		22,800	–
Deposit paid for acquisition of an investment		–	22,800
		<hr/>	<hr/>
Total non-current assets		49,978	50,882
CURRENT ASSETS			
Inventories		–	1,137
Trade and bills receivables	8	8,777	40,341
Prepayments, deposits and other receivables		2,199	36,744
Cash and bank balances	9	77,484	57,095
		<hr/>	<hr/>
Total current assets		88,460	135,317
CURRENT LIABILITIES			
Trade payables	10	–	1,598
Deposits received		–	38,372
Other payables and accruals		474	544
Due to a director		–	4,607
		<hr/>	<hr/>
Total current liabilities		474	45,121
NET CURRENT ASSETS		<hr/> 87,986 <hr/>	<hr/> 90,196 <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 137,964 <hr/>	<hr/> 141,078 <hr/>
NET ASSETS		<hr/> 137,964 <hr/>	<hr/> 141,078 <hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital		66,350	66,350
Equity component of convertible bonds	11	391,534	391,534
Other reserves		(321,425)	(318,280)
		<hr/>	<hr/>
Non-controlling interests		136,459	139,604
		1,505	1,474
		<hr/>	<hr/>
Total equity		<hr/> 137,964 <hr/>	<hr/> 141,078 <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012

	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 2011	66,350	235,563	5,117	672	391,534	11,157	(1,638)	(69,297)	639,458	1,418	640,876
Total comprehensive (loss)/income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,514</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(502,368)</u>	<u>(499,854)</u>	<u>56</u>	<u>(499,798)</u>
At 31 December 2011 and 1 January 2012	66,350	235,563	5,117	3,186	391,534	11,157	(1,638)	(571,665)	139,604	1,474	141,078
Total comprehensive (loss)/income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>626</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,771)</u>	<u>(3,145)</u>	<u>31</u>	<u>(3,114)</u>
At 31 December 2012	<u>66,350</u>	<u>235,563</u>	<u>5,117</u>	<u>3,812</u>	<u>391,534</u>	<u>11,157</u>	<u>(1,638)</u>	<u>(575,436)</u>	<u>136,459</u>	<u>1,505</u>	<u>137,964</u>

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 of 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. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2012. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current year 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. OPERATING SEGMENT INFORMATION

The Group’s revenue and result for the year ended 31 December 2012 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 LCD/LED products; 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	
	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	227,908	85,367	–	–	227,908	85,367
Intersegment sales	–	–	–	–	–	–
	<u>227,908</u>	<u>85,367</u>	<u>–</u>	<u>–</u>	<u>227,908</u>	<u>85,367</u>
Segment results	3,099	(3,014)	–	–	3,099	(3,014)
Reconciliation:						
Other income and gains					589	2,313
Impairment losses on intangible assets					–	(502,279)
Unallocated expenses					<u>(7,433)</u>	<u>642</u>
Loss before tax					(3,745)	(502,338)
Income tax expenses					–	–
Loss for the year					<u>(3,745)</u>	<u>(502,338)</u>
Segment assets	76,224	79,061	25,000	25,000	101,224	104,061
Unallocated assets					<u>37,214</u>	<u>82,138</u>
Total assets					<u>138,438</u>	<u>186,199</u>
Segment liabilities	217	40,083	–	–	217	40,083
Unallocated liabilities					<u>257</u>	<u>5,038</u>
Total liabilities					<u>474</u>	<u>45,121</u>
Other segment information:						
Capital expenditure	3	830	–	–	3	830
Depreciation	<u>644</u>	<u>253</u>	<u>279</u>	<u>433</u>	<u>923</u>	<u>686</u>

Geographical information

(a) Revenue from external customers

	2012 HK\$'000	2011 <i>HK\$'000</i>
Hong Kong	22,804	–
Mainland China (excluding HK)	205,104	85,367
	227,908	85,367

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

(b) Non-current assets

	2012 HK\$'000	2011 <i>HK\$'000</i>
Hong Kong	309	23,388
Mainland China (excluding HK)	26,869	27,494
Overseas	22,800	–
	49,978	50,882

Non-current assets information is based on the location of assets.

Revenue from major customers

Trading of electronic equipments, components and LCD/LED products segment

	2012 HK\$'000	2011 <i>HK\$'000</i>
Customer A	69,672	–
Customer B	68,270	–
Customer C	32,717	–
Customer D	22,804	–
Customer E	21,369	–
Customer F	–	62,216
Customer G	–	23,151
Other customers	13,076	–
	227,908	85,367

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:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Revenue		
Sales of goods	<u>227,908</u>	<u>85,367</u>
Other income and gains		
Bank interest income	392	390
Net exchange gains	–	1,404
Others	<u>197</u>	<u>519</u>
	<u>589</u>	<u>2,313</u>

5. LOSS BEFORE TAX

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Cost of sales	220,698	79,222
Auditors' remuneration		
— Annual audit	255	240
— Other services	15	–
Total auditors' remuneration	<u>270</u>	<u>240</u>
Employee benefits expenses (including directors' remuneration):		
— Wages, salaries and allowances	1,763	1,990
— Other benefits in kind	229	246
— Pension scheme contributions	53	35
Total employee benefits expenses	<u>2,045</u>	<u>2,271</u>
Depreciation	923	686
Minimum lease payments under operating leases, land and buildings	1,930	1,935
Net exchange losses/(gains)	7	(1,404)
Allowance for slow-moving inventories	1,127	–
Impairment losses on intangible assets	–	502,279
	<u> </u>	<u> </u>

6. INCOME TAX EXPENSES

No provision for taxation has been made since the Company has tax loss during the years ended 31 December 2012 and 2011. 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.

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Hong Kong Profits Tax — Current	—	—
PRC on Enterprise Income Tax — Current	—	—
Deferred tax	—	—
	<hr/>	<hr/>
Total tax charge for the year	<u>—</u>	<u>—</u>

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:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Loss before tax:	<u>(3,745)</u>	<u>(502,338)</u>
Tax at the statutory tax rate of 16.5% (2011: 16.5%)	(618)	(83,375)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,612)	740
Income not subject to tax	(36)	(366)
Expenses not deductible for tax	107	78,259
Tax effect of taxes losses not recognised	<u>2,159</u>	<u>4,742</u>
	<hr/>	<hr/>
Tax charge at the Group’s effective tax rate	<u>—</u>	<u>—</u>

At 31 December 2012, the Group has unused tax losses of approximately HK\$87,062,000 (2011: HK\$57,556,000) available indefinitely for offset against future profits. No deferred tax asset (2011: HK\$nil) has been recognised in respect of such tax losses, due to the unpredictability of future profit streams.

7. LOSS PER SHARE

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:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Earnings		
Loss for the year attributable to owners of the Company, used in the basic loss per share calculation	<u>(3,771)</u>	<u>(502,368)</u>
	Number of shares	
	2012	2011
Shares		
Weighted average number of ordinary shares in issue during the year used in basic loss per share calculation	<u>6,635,001,932</u>	<u>6,635,001,932</u>

No diluted earnings per share are presented as the Company did not have any potential ordinary sharing during the years ended 31 December 2012 and 2011.

8. TRADE AND BILLS RECEIVABLES

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Trade receivables	8,777	1,969
Bills receivable	–	38,372
Less: impairments	<u>–</u>	<u>–</u>
	<u>8,777</u>	<u>40,341</u>

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:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Within 30 days	7,657	1,969
31 to 60 days	<u>1,120</u>	<u>–</u>
	<u>8,777</u>	<u>1,969</u>

9. CASH AND BANK BALANCES

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Cash and bank balances	66,211	26,729
Time deposits	11,273	30,366
	<u>77,484</u>	<u>57,095</u>

As at 31 December 2012, the bank balance of a subsidiary, Boss Dream (China) Limited* (博思夢想(中國)有限公司) (“Boss China”), of approximately RMB49,113,000 (equivalent to HK\$61,194,000) was frozen by Zhenjiang New District Public Security Bureau. In February 2013, the frozen bank balance RMB49,113,000 was released. Instead of, bank balance of approximately RMB23,500,000 (equivalent to HK\$29,281,000) was frozen by Zhenjiang Intermediate People’s Court. The reason is under investigation. In the opinion of the Directors, the aforesaid matter would not have significant detrimental impact on the financial position and operations of the Group. Further details of the matter are set out in the Company’s various announcements dated since 16 November 2012.

* *The English name is for identification only*

10. 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:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Within 30 days	<u>–</u>	<u>1,598</u>

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

11. CONVERTIBLE BONDS

On 30 December 2009, the Company issued zero-coupon convertible bonds (the “Convertible Bonds”) with a nominal value of HK\$595,000,000 as part of the consideration of HK\$600,000,000 for acquiring 100% equity interest in Legend Century Investments Limited and its subsidiaries. The Convertible Bonds are interest-free and convertible at the option of the bondholders into ordinary shares of the Company on or before 30 December 2012 at a conversion price of HK\$0.125 (subject to change) each. On 15 June 2010, the conversion price for the Convertible Bonds had been adjusted to HK\$0.037 per share as a result of the completion of the Rights Issues issued on 8 July 2010. The Company has the right to mandatorily convert the outstanding of the Convertible Bonds at the maturity date on 30 December 2012.

The details and the movement of the Convertible Bonds during the reporting periods and outstanding as at end of the reporting period were as follows:

	Nominal value	Equity component
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 January 2010	595,000	460,768
Less: amount converted into the shares of the Company on 7 July 2010	<u>(89,403)</u>	<u>(69,234)</u>
Balance at 31 December 2011, 1 January 2012 and 31 December 2012	<u>505,597</u>	<u>391,534</u>

As at 31 December 2012, the conversion right to convert the outstanding Convertible Bonds have been expired. On 25 February 2013, the Company received the lawyer’s letter from Hau, Lau, Li & Yeung Solicitors & Notaries acting for Ocean Space Development Limited, which require the Company to pay back Convertible Bonds holders in the sum of HK\$505,597,736. The Company is looking for further legal advice from lawyer and discussing with the Convertible Bonds holders actively to find out the solution.

12. CONTINGENT LIABILITIES

As at 31 December 2012, the Group and the Company did not have any significant contingent liabilities (2011: Nil).

13. 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 five years.

At 31 December 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,935	2,345
In the second to fifth years, inclusive	<u>1,204</u>	<u>3,542</u>
	<u>3,139</u>	<u>5,887</u>

14. RELATED PARTY TRANSACTIONS

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

	<i>Notes</i>	2012 HK\$'000	2011 <i>HK\$'000</i>
New Era Group (China) Limited	<i>(a)</i>		
Rental paid		960	960
Rental deposit paid		160	160
New Era Foundation (China) Limited	<i>(b)</i>		
Rental paid		639	627
Rental deposit paid		187	177
		<u>187</u>	<u>177</u>

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 in the 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, the 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 the Boss China a office premises for a term of 48 months commencing on 1 January 2010, the Boss China shall pay a deposit of RMB150,000 (equivalent to approximately HK\$187,000) 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 in the statement of financial position.

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

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

	2012 HK\$'000	2011 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	621	560
Equity-settled share option expenses	–	–
Pension scheme contributions	2	2
	<u>623</u>	<u>562</u>

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

The Company's auditor has given emphasis of matter to the Group's consolidated financial statements for the year ended 31 December 2012, an extract of which is as follow:

“EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to the disclosures made in notes 21 and 24 to the consolidated financial statements concerning the uncertainty related to the outcome of the frozen bank balances and the negotiation with the bondholders. In the opinion of the Directors, the aforesaid matters would not have significant detrimental impact on the financial position and operations of the Group.”

DIVIDEND

The Directors did not recommend a final dividend for the year ended 31 December 2012 (2011: 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 2012.

Financial Review

During the year ended 31 December 2012, the Group recorded a revenue of approximately HK\$227,908,000 (2011: HK\$85,367,000), representing an increase of 167%. The increase in revenue was due to the expansion the trading business of the Group.

During the year ended 31 December 2012, the Group incurred a loss of approximately HK\$3,745,000 (2011: HK\$502,338,000) in which the loss attributable to the shareholders of the Company was approximately HK\$3,771,000 (2011: HK\$502,368,000).

Operational Review

1. On 23 December 2011, the Company entered into a second supplemental agreement with Joy China Group Limited (“Joy China”), with effect from 1 January 2012, (i) the Company and Joy China 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 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 Joy China when the net asset value of group of Full Smart Asia Limited reach HK\$228,000,000.
2. On 17 February 2012, the Company decided to suspend acquiring the entire share capital of Beijing Need Education Technology Company Limited.

3. On 29 February 2012, a subsidiary of the Company, 博思夢想(中國)有限公司 (transliterated as Boss Dream (China) Limited, “Boss China”) entered into a cooperation framework agreement with 博思夢想文化傳播有限公司 (transliterated as Boss Dream Cultural Communication Company Limited, “Boss Cultural”) and 浙江聯億家科技有限公司 (transliterated as Zhejiang Lianyijia Technology Limited). Cooperation to build one million “energy-saving media terminal” in PRC regions within ten years, to create national media terminal network and shopping terminal network.
4. On 9 March 2012, Boss China entered into a cooperation framework agreement with Boss Cultural and 北京烽火傳祥網絡科技有限公司 (transliterated as Beijing Flame Chuanxiang Network Technology Limited). Cooperate to construct 10,000 military game theme of “Glorious Mission — National Defense Education Experience Centers” in PRC regions within five years. Boss China will equip not less than 100 high performance energy-saving all-in-one computers in each Experience Centre.
5. On 2 May 2012, Boss China entered into a cooperation agreement with Boss Cultural and Next Step China Management Company Limited. Cooperate to establish 10,000 “Satellite Lecture” (Education theaters) within 10 years in mainland China regions. It is agreed that each educational theaters equipped with satellite real-time teaching facilities and 100 units of energy-saving computer-on-demand equipment. Provide employment and entrepreneurship training to the whole society, and provide business support program to those who have passed the energy saving solutions and training.
6. On 13 August 2012, the Company entered into a framework agreement with Ms. Liu Yu (“Ms. Liu”). The Company agreed to acquire and Ms. Liu agreed to sell the entire issued share of Jurassic International Investment Group Inc. (BVI). The Company intends to extend energy management contract business to the low-carbon cultural development plan.
7. On 20 August 2012, Boss China entered into a cooperation framework agreement with Knowhow Software (HK) Limited. Cooperate to acquire or construct not less than 100 “Smart City” regional companies in PRC within ten years that closely fits the requirements of the development of IT Internet industry issued by the national ministries. Cooperate to build a new model of urban development at main cities, “Smart City”, with numerous partners.
8. On 11 September 2012, the Company entered into a framework 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 authorized of Jurassic theme in PRC and related intellectual properties.

9. On 7 November 2012, the bank accounts of Boss China are being frozen by China Jiangsu Province Zhenjiang New District Public Security Bureau. That causes a material adverse effect to Boss China business and its signed agreements. The trading businesses carried out by Boss China are all forced to be aborted. It also causes a great adverse impact to the goodwill of other investment projects invested by the Company. On 20 February 2013, Boss China was informed that RMB23.5 million in bank account was frozen by Zhenjiang Intermediate People’s Court. The reason is under investigation and the freeze period is 6 months.

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

As of the date of this announcement, there is still RMB23.5 million in Boss China’s bank account was frozen by Zhenjiang Intermediate People’s Court.

As a result of the above-mentioned bank account being frozen, the following signed agreements are unlikely to perform due to conditions of the agreements could not be reached within the prescribed period of time:

- (i) Boss China entered into a cooperation framework agreement with Zhejiang Lianyijia Technology Limited and Boss Dream Cultural Communication Company Limited (“Boss Cultural”) on 29 February 2012 to cooperate build one million “energy-saving media terminal”.
- (ii) Boss China entered into a cooperation framework agreement with Beijing Flame Chuanxiang Network Technology Limited and Boss Cultural on 9 March 2012 to cooperate construct 10,000 military game theme of “Glorious Mission — National Defense Education Experience Centers”.
- (iii) Boss China entered into a cooperation agreement with Next Step China Management Company Limited and Boss Cultural on 2 May 2012 to cooperate establish 10,000 “Satellite Lecture”.
- (iv) Boss China entered into a cooperation framework agreement with Knowhow Software (HK) Limited on 20 August 2012 to cooperate construct “Smart City”.

10. On 25 December 2012, China Trends Technologies Limited (a wholly-owned subsidiary of the Company, “China Trends Technologies”) entered into a cooperation framework agreement with 歐美聯合留學生創業園有限公司 (transliterated as Europe and America Joint Students Pioneering Park Limited, “Europe & America Pioneer”). Within one year, Europe & America Pioneer would set up “Animation Media Company” in Shenzhen, China. The registered capital of the company is not less than RMB60 million; China Trends Technologies provides exclusive right of using the 320 episodes original cartoons of “Detective Whiskers Cat” to “Animation Media Company”, and obtain 7% of operating income of “Animation Media Companies” as concession revenue.

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 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.

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 Board is currently considering to re-expand the business of the Group in Hong Kong in order to reduce the impact of business suspension from Boss Dream (China) Company Limited 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.

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 187 (2011: 3) and total cash and bank balances amounted to approximately HK\$77,484,000 (2011: HK\$57,095,000) with no pledged deposits placed in banks for securing any borrowings or banking facilities.

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 2012. 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 2012, 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 2012, there were a total of 10 (2011: 15) full-time staff employed by the Group. The staff costs including directors' remuneration for the year were approximately HK\$2,045,000 (2011: HK\$2,271,000). There was no equity-settled share option expenses (2011: 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 2012.

Charge, Contingent Liabilities and Commitments

As at 31 December 2012, the Group had commitments under operating lease amounting to approximately HK\$3,139,000 (2011: HK\$5,887,000) 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 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.
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

The financial statements for the year ended 31 December 2010 were audited by Ascenda Cachet CPA Limited.

During year 2011, Ascenda Cachet CPA Limited resigned as auditors of the Company and ANDA CPA Limited was appointed as auditors of the Company to fill the causal vacancy so arising.

The financial statements for the years ended 31 December 2011 and 2012 were audited by ANDA CPA Limited.

A resolution for the re-appointment of ANDA CPA Limited as auditors of the Company until the conclusion of the next annual general meeting is to be proposed at the forthcoming annual general meeting of the Company.

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, Ms. An Jing and Mr. Chen Yicheng as the members.

The Audit Committee examined the accounting principles and practices adopted by the Company and its subsidiaries and discussed with the management its internal controls and accounts. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2012.

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, 26 February 2013

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 and Ms. An Jing and Mr. Chen Yicheng; Ms. Kung Ching is alternate director to Mr. Xiang Xin.

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.