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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)

VERY SUBSTANTIAL DISPOSAL AND SUSPENSION OF TRADING

THE SALE AND PURCHASE AGREEMENT

On 15 June 2009, the Company, entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Purchaser has agreed to acquire and the Company has agreed to sell: (i) the Sale Shares, representing the entire issued share capital of the Target as at the date of this announcement; and (ii) the Sale Loan, which amounted to approximately HK\$32,582,000 as at 30 June 2009 for a total consideration of HK\$1.00.

GENERAL

The Disposal constitutes a very substantial disposal on the part of the Company under the GEM Listing Rules. A circular containing details of the Disposal, information regarding the Group and a notice of the EGM will be despatched to the Shareholders in compliance with the GEM Listing Rules.

SUSPENSION OF TRADING

At the request of the Company, trading in the issued Shares on the Stock Exchange was suspended from 9:30 a.m. on 1 April 2009 pending the release of the Results Announcement. Although the Results Announcement was published by the Company on 30 April 2009, there was a disclaimer of opinion by the auditors of the Company. As such, the trading in the issued Shares will remain suspended until further notice.

THE SALE AND PURCHASE AGREEMENT

Date: 15 June 2009

Parties: (1) Vendor : The Company

(2) Purchaser : Yu Shu Kuen

The Purchaser is a resident in Hong Kong and has over 20 years of financial market experience. He has worked in the investment banking field in Hong Kong and has his own financial services business. The Purchaser and the companies controlled by him are established distressed asset buyers with a history of dealings with the distressed assets since 2002.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser is an Independent Third Party.

Assets to be disposed

Pursuant to the Sale and Purchase Agreement, the Purchaser has agreed to acquire and the Company has agreed to sell: (i) the Sale Shares, representing the entire issued share capital of the Target as at the date of this announcement; and (ii) the Sale Loan, which amounted to approximately HK\$32,582,000 as at 30 June 2009.

Pursuant to the Sale and Purchase Agreement, the Company has not provided any warranties to the Purchaser in relation to the assets, liabilities, business and operations of the Disposal Group. As such, the Company would not incur any additional liability in relation to the assets, liabilities, business and operations of the Disposal Group following Completion.

Consideration

The consideration of HK\$1.00 for the sale and purchase of the Sale Shares and Sale Loan shall be paid by the Purchaser to the Company in cash at Completion.

The consideration for the Sale Shares and the Sale Loan was agreed between the Company and the Purchaser after arm's length negotiations according to the circumstances of the Company as set out in the section headed "Reasons for the Disposal" below and the undertakings made by the Purchaser as set out in the paragraph headed "Purchaser's undertakings" below.

According to the unaudited consolidated management accounts of the Disposal Group prepared under the Hong Kong accounting standards, the net book value of the Disposal Group as at 30 June 2009 is approximately HK\$7,274,000. However, given that (i) the Group's loss of access to certain books and records of the Disposal Group, including the information in relation to and the whereabouts of the contract works in progress and the other matters which were qualified by the auditors of the Company in the 2008 Annual Report; (ii) the loss of access to certain books and records have rendered the Directors unable to form an informed overall assessment on the assets, liabilities, business and operations of the Disposal Group; (iii) the risk of potential liabilities which arises from the loss of books and records not known to the Group; (iv) the Directors' view that the Disposal Group should be considered as distressed assets and should not be viewed as ordinary assets; (v) the suspension in the operation of the Disposal Group in the year of 2009; (vi) the undertakings given by the Purchaser to pay a percentage of the proceeds from future sale or transfer of all or part of the Sale Shares or any of its economic interests or any assets of any member of the Disposal Group to the Company; and (vii) the loss of books and records have put the Group in a difficult position to identify and secure buyers for valuable consideration of the Disposal Group, the Directors (including the independent non-executive Directors) consider the payment terms of the consideration under the Sale and Purchase Agreement to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Purchaser's undertakings

The Purchaser undertakes to the Company that if the Purchaser (or its nominee) enters into any agreement, arrangement or assignment with any third party for the sale or transfer of all or part of the Sale Shares or any of its economic interests or any assets of any member of the Disposal Group:

- (i) on or before the date falling two years from the date of Completion, the Purchaser agrees to pay to the Company, within five Business Days upon receipt of the proceeds from such sale or transfer by the Purchaser (or its nominee), a sum equivalent to 50% of the Net Proceeds; or
- (ii) after the date falling two years from the date of Completion and ending on the date falling ten years after the date of Completion, the Purchaser agrees to pay to the Company, within five Business Days upon receipt of the proceeds from such sale or transfer by the Purchaser (or its nominee), a sum equivalent to 30% of the Net Proceeds.

The Purchaser undertakes to the Company that the Purchaser (or its nominee) shall sell or transfer all of the Sale Shares or its economic interests or all of the assets of any member of the Disposal Group at a reasonable consideration to third party(ies) independent of and not connected with the Purchaser on or before the date falling ten years after the date of Completion.

The Purchaser shall or shall procure its nominee to use its best endeavours to assist the Company in connection with the provision all information and documents relating to the Disposal Group required pursuant to the GEM Listing Rules and other applicable rules, codes and regulations whether in connection with the preparation of all documents, advice or otherwise are duly given promptly to the Company, the Stock Exchange and other relevant regulatory authorities.

The Purchaser shall or shall procure its nominee to cooperate in good faith with the Company in any enquiries conducted by the Stock Exchange and other relevant regulatory authorities, including answering promptly and openly any questions relating to the Disposal Group and potential vendor(s) of all or part of the Sale Shares or any of its economic interests or any assets of any member of the Disposal Group, promptly producing any documents and attending any meeting at the request of the Company.

The Purchaser shall or shall procure its nominee to report to the Company in a meeting, via telephone conference, via facsimile or via email within five Business Days after the end of each calendar month:

- (i) the progress of any agreement, arrangement or assignment with any third party for the sale or transfer of all or part of the Sale Shares or any of its economic interests or any assets of any member of the Disposal Group; and
- (ii) the progress of any steps to enter into receivership or liquidation and present petition for winding up or appoint receiver for any member of the Disposal Group.

The Purchaser shall or shall procure its nominee to prepare and provide the Company with minutes of all meetings or telephone conferences between the Purchaser or its nominee and the Company above within five Business Days after such meeting or telephone conference.

For the avoidance of doubt, these undertakings shall survive Completion and the rights and remedies of the Company in respect of any breach of such undertakings by the Purchaser shall not be affected by Completion.

Conditions precedent

Completion shall be conditional upon and subject to:

- (a) the passing by the Shareholders at an extraordinary general meeting of the Company to be convened and held of the necessary resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder; and
- (b) the Purchaser having obtained all necessary consents and approvals required to be obtained on its part in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.

All of the conditions are not waivable under the Sale and Purchase Agreement. If the conditions have not been satisfied on or before 30 September 2009, or such later date as the Company and the Purchaser may agree, the Sale and Purchase Agreement shall cease and determine, and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Completion

Completion shall take place at 4:00 p.m. on the third Business Days after the fulfilment of the conditions or such later date as may be agreed between the Company and the Purchaser.

Upon Completion, the Disposal Group will cease to be subsidiaries of the Company.

INFORMATION ON THE DISPOSAL GROUP

The Disposal Group is principally engaged in investment holding, sale and marketing of mobile phone appliances and the relevant application solution and its operation in the year of 2009 was temporarily suspended in 2009. As at the date of this announcement, other than the director(s) of the members of the Disposal Group, the Disposal Group does not have any staff. The customers' list of the Disposal Group are not in the possession of the Company. According to the available information of the Group, the Disposal Group had seven customers in 2008.

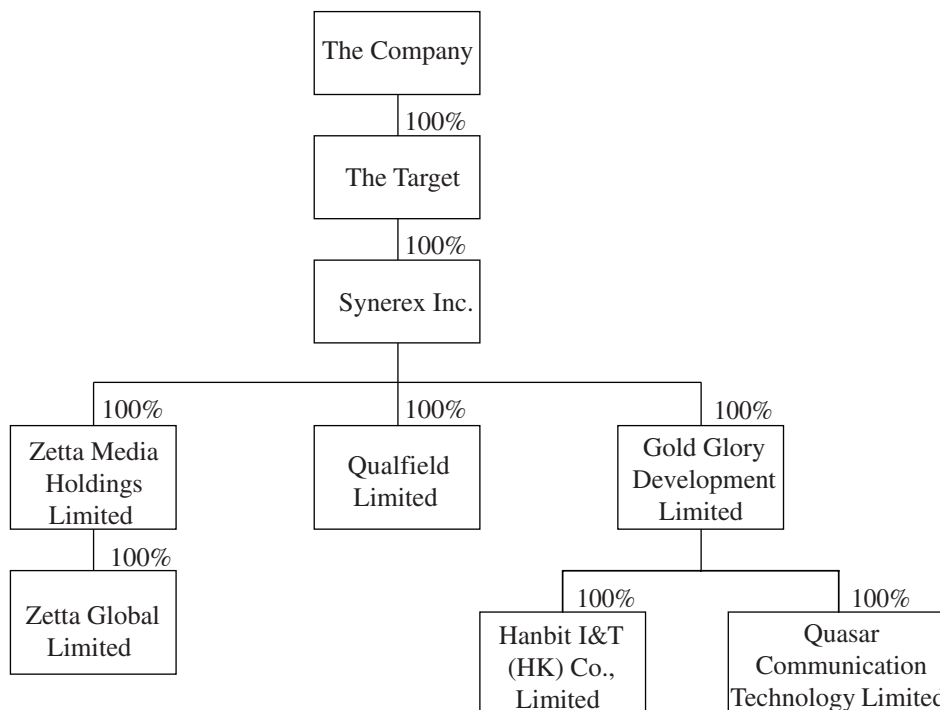
According to audited consolidated management accounts of the Disposal Group prepared under the Hong Kong accounting standards, for year ended 31 December 2007, the net loss before and after taxation was approximately HK\$6,995,000 and approximately HK\$7,309,000 respectively. The net asset value of the Disposal Group was approximately HK\$32,496,000 as at 31 December 2007.

According to audited consolidated management accounts of the Disposal Group prepared under the Hong Kong accounting standards, for year ended 31 December 2008, the net loss before and after taxation was approximately HK\$22,181,000 and approximately HK\$22,624,000 respectively. The net asset value of the Disposal Group was approximately HK\$9,872,000 as at 31 December 2008.

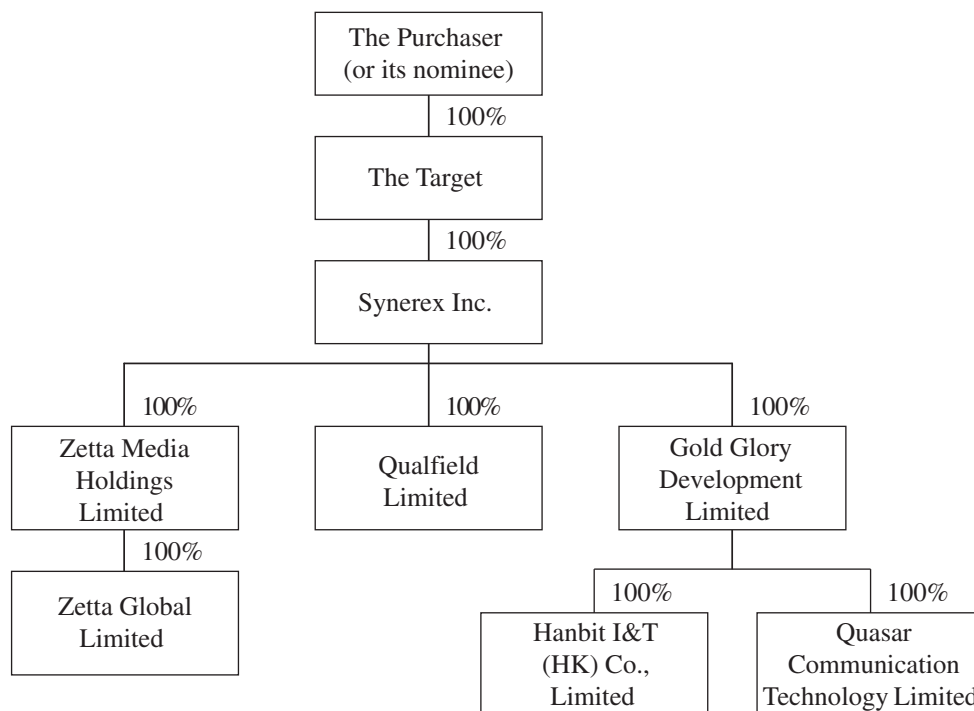
According to unaudited consolidated management accounts of the Disposal Group prepared under the Hong Kong accounting standards, for the six months ended 30 June 2009, the net loss before and after taxation was approximately HK\$2,598,000. The net asset value of the Disposal Group was approximately HK\$7,274,000 as at 30 June 2009. As at 30 June 2009, the principal assets of the Disposal Group were contract works in progress of approximately HK\$34,340,000 (which were qualified by the auditors of the Company in the 2008 Annual Report) and prepayment, deposits and other receivable of approximately HK\$12,791,000 (of which HK\$8,200,000 were qualified by the auditors of the Company in the 2008 Annual Report), and the principal liabilities of the Disposal Group were other payables and accrual of approximately HK\$2,555,000, tax payable of approximately HK\$5,225,000 and the Sale Loan of approximately HK\$32,582,000 (which were qualified by the auditors of the Company in the 2008 Annual Report).

CHANGE OF SHAREHOLDING STRUCTURE OF RELEVANT ENTITIES

The diagram below shows the shareholding structure of the Disposal Group immediately before Completion:



The diagram below shows the shareholding structure of the Disposal Group immediately after Completion:



FINANCIAL EFFECT OF THE DISPOSAL

It is estimated that the loss on disposal of the Disposal Group will be approximately HK\$39,856,000.

REASONS FOR THE DISPOSAL

The Group is principally engaged in sales and marketing of mobile phone appliances and the relevant parts solution. Upon Completion, there will not be any change in the principal business of the Group. According to the unaudited consolidated financial statements of the Group prepared under the Hong Kong accounting standards, for the six months ended 30 June 2009, the revenue of approximately HK\$25,027,000 was generated by a subsidiary of the Company other than the Disposal Group. The Company conducted similar businesses of the Disposal Group through another subsidiary since mid-December 2008.

There will not be any immediate net proceeds receivable by the Group as a result of the Disposal.

Under the internal policy of the Group, the subsidiaries are required to provide quarterly management accounts of the subsidiaries to the Company for the purpose of consolidation. In each of the first three quarters of 2008, the management of the Disposal Group provided the management accounts of the Disposal Group to the Company and the interim consolidated statements of the Group for the six months ended 30 June 2008 had been audited by Cachet Certified Public Accountants Limited, the auditors of the Company, with a clean auditors' report for internal reference to the Board.

On December 2008, the Group noticed that when most of the former directors of the Disposal Group left the Group, the former directors did not directly deliver the books and records of the Disposal Group to the Company. The Company then sent a legal letter demanding the return of the books and records to the former directors of the Disposal Group in late December 2008. Given the difficulty in retrieving the missing documents and the unhelpfulness of the former directors of the Disposal Group in providing the missing documents and information relating to the Disposal Group, the Group has not conducted any business through the Disposal Group. The Directors decided to conduct similar businesses of the Disposal Group through other subsidiary of the Company.

In or about March 2009 when the auditors of the Group conducted its annual audit for the year ended 31 December 2008, although the Group retrieved some of the books and records from the former director, there were still certain missing books and records, including the information in relation to and the whereabouts of the contract works in progress, from the former directors of the Disposal Group.

Mainly due to the missing of such corporate documents, the consolidated financial statements of the Company for the year ended 31 December 2008 were qualified by the auditors of the Company. For further details in relation to the qualified opinion on the financial statements of the Company, please refer to the 2008 Annual Report.

The Company enquired about the missing books and records of the Disposal Group in an attempt to locate the missing documents and the Company also contacted such previous director through its legal advisers a number of times in an effort to retrieve such documents. The Company was notified by the previous director(s) of the Disposal Group in early May 2009 that some of the documents were in the custody of the PRC legal advisers of a previous director of the Disposal Group. Certain of such documents have been retrieved in mid-May 2009 while a number of documents remain outstanding. As at the date of this announcement, the Company is still pursuing the former director of the Disposal Group for the outstanding books and records of the Disposal Group. The Company will update the Shareholders and investing public further should there be any material development in its retrieval exercise.

In April 2009, after the Company had failed in retrieving the remaining books and records of the Disposal Group, the Directors decided to suspend the operation of the Disposal Group by conducting similar businesses of the Disposal Group through its other subsidiary directly. The loss of books and records has adversely affected the daily operations of the Disposal Group. Without such books and records of the Disposal Group, the Company has difficulties in identifying buyers for the Disposal Group other than the Purchaser, who, together with the companies controlled by him, are established distressed assets buyers.

Given the substantive time spent and to be spent by the management of the Group to resolve the problem of missing books and records, the Directors consider that it is in the best interests of the Company to dispose of the Disposal Group to an established distressed assets buyer. The Directors further consider that the Disposal will save resources, efforts and time for the management of the Group to explore on and deal with new businesses and customers, and that the Disposal is a realistic choice and will provide an opportunity for the Group to obtain further proceeds in the event of the sale of the Sale Shares or its economic interests or any assets of any company of the Disposal Group by the Purchaser.

Taking into account the pros and cons of the Disposal as detailed above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Disposal are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

The Board has reviewed the internal control policies of the Group. The Directors consider that prima facie such matter relates to the mishandling of corporate documents by former director(s) of the relevant subsidiaries of the Company. Prior to their resignation, such former director(s) were some of the most senior personnel of the relevant subsidiaries who had the access to such corporate documents. This individual separate incident of mishandling of corporate documents cannot be prevented even with tightened internal control procedures. However, to avoid similar incidents in the future, all books and records of the subsidiaries of the Company will be kept at the principal place of business of the Company in Hong Kong. To further enhance the accountability of the subsidiaries to the Company, members of the Board will be/have been appointed as directors of all subsidiaries of the Company. The Board will also appoint the auditors of the Company to review its internal control procedures of the Group and the results and findings of such internal control review will be reported to the audit committee of the Company. Further announcement will be made in relation to the further details of the loss of books and records of the Disposal Group.

GENERAL

The Disposal constitutes a very substantial disposal on the part of the under the GEM Listing Rules.

A circular containing details of the Disposal, information regarding the Group and a notice of the EGM will be despatched to the Shareholders in compliance with the GEM Listing Rules. The Purchaser is an Independent Third Party and does not hold any Shares as at the date of this announcement. Accordingly no shareholder is required to abstain from voting at the EGM.

SUSPENSION OF TRADING

At the request of the Company, trading in the issued Shares on the Stock Exchange was suspended from 9:30 a.m. on 1 April 2009 pending the release of the Results Announcement. Although the Results Announcement was published by the Company on 30 April 2009, there was a disclaimer of opinion by the auditors of the Company. As such, the trading in the issued Shares will remain suspended until further notice.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“2008 Annual Report”	the annual report of the Company for the year ended 31 December 2008 containing the audited financial statement of the Group made up to 31 December 2008
“associates”	has the meaning ascribed to this term under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	China Trends Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“Completion”	completion of the sale and purchase of the Sale Share and the Sale Loan in accordance with the terms and conditions of the Sale and Purchase Agreement

“connected persons”	has the meaning ascribed to this term under the GEM Listing Rules
“Directors”	the directors of the Company
“Disposal”	the Disposal of the Sale Share and the Sale Loan by the Purchaser as contemplated under the Sale and Purchase Agreement
“Disposal Group”	the Target and its subsidiaries
“EGM”	the extraordinary general meeting of the Company to be held and convened for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder
“Expenses”	<ul style="list-style-type: none"> (i) all reasonable costs and expenses incurred or to be incurred by the Disposal Group including legal expenses, accounts expenses and other expenses, which was paid by the Purchaser; and (ii) all advancement of loans made or to be made by the Purchaser to meet funding and working capital requirements of the Disposal Group
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	any person to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Net Proceeds”	the proceeds from the sale or transfer of all or part of the Sale Shares or any of its economic interests or any assets of any company of the Disposal Group by the Purchaser after deducting the Expenses
“Purchaser”	Yu Shu Kuen, the purchaser of the Sale Shares and the Sale Loan
“Results Announcement”	announcement of the Company in relation to the annual results of the Group for the year ended 31 December 2008

“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 15 June 2009 entered into between the Purchaser and the Company in relation to the sale and purchase of the Sale Shares and the Sale Loan
“Sale Loan”	all obligations, liabilities and debts owing or incurred by the Target to the Company on or at any time prior to Completion whether actual, contingent or deferred and irrespective of whether the same is due and payable on Completion which as at 30 June 2009, amounted to HK\$32,582,000
“Sale Shares”	one ordinary share of US\$1.00 in the issued share capital of the Target, representing the entire issued share capital of the Target
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Ace Solution Technology Limited, a company incorporated in the British Virgin Islands, whose entire issued share capital is beneficially owned by the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 14 August 2009

As at the date of this announcement, the executive Directors are Mr. Xiang Xin, Mr. Im Kai Chuen Stephen and Mr. Wong Chak Keung and the independent non-executive Directors are Mr. Leung Wing Kin, Mr. Zhang Zhan Liang and Ms. Lu Yuhe.

This announcement, for which the Directors collectively and individually accept full responsibilities, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material aspects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumption that are fair and reasonable.

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.