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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)

**MAJOR TRANSACTION
ACQUISITION OF COPYRIGHTS IN A FILM LIBRARY
AND
RESUMPTION OF TRADING**

ACQUISITION AGREEMENT

On 30 September 2009, the Company and the Vendor entered into the Acquisition Agreement pursuant to which the Company agreed to acquire and the Vendor agreed to sell the Sale Copyrights at a consideration of HK\$25 million. The trademarks attached to the Sale Copyrights would be transferred from the Vendor to the Company at nil consideration at Completion.

The Acquisition constitutes a major transaction on the part of the Company under the GEM Listing Rules and is therefore required to be made conditional on Shareholders' approval. A circular containing, among other things, further details of the Acquisition and the notice of EGM will be despatched to the Shareholders in due course.

SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares of the Company has been suspended since 1 April 2009 at the request of the Company pending the release of the announcement of the Company in relation to the major developments since trade suspension in Shares dated 23 December 2009 and this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 28 January 2010.

THE ACQUISITION AGREEMENT

Date : 30 September 2009

Parties : (1) Purchaser : The Company
(2) Vendor : The Vendor

The Directors acquainted with the Vendor through a friend. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Company has agreed to acquire and the Vendor has agreed to sell the Sale Copyrights. The trademarks (the "**Trademark**") attached to the Sale Copyrights would be transferred from the Vendor to the Company at nil consideration at Completion.

Pursuant to the Sale and Purchase Agreement entered into between the Company and the Vendor in relation to the sale and purchase of the Sale Capital, the conditions of the Sale and Purchase Agreement include, among others, the completion of the capital injection of cash and the technical method in the amount of RMB67,200,000 by Protex Utility into the Former Target. Since the conditions including the injection of cash and the technical method by Protex Utility into the Former Target had not been fulfilled, the Sale and Purchase Agreement was terminated thereafter and it did not constitute as a connected transaction on the part of the Company lastly.

The Sale Copyrights and the Trademarks were originally owned by the Former Target. After the termination of the Sale and Purchase Agreement, the Former Target directly transferred the Sale Copyrights and the Trademark to the Vendor. The Vendor and the Company then entered into the Acquisition Agreement. The Company confirmed that the Vendor had not entered, nor proposed to enter, into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether expressed or implied, with Mr. Xiang or any other connected persons of the Company in relation to the Acquisition. The Acquisition does not constitute a connected transaction on the part of the Company because the Former Target and the Vendor are Independent Third Parties.

Consideration

The Consideration for the Sale Copyrights shall be HK\$25 million and will be set off by the Deposit already paid by the Company at Completion. The parties to the Acquisition Agreement have agreed that the Consideration has been paid by the Company to the Vendor as refundable deposit.

Reference is made to the announcement of the Company dated 10 October 2008 (the “**Announcement**”) in relation to the proposed acquisition of the Sale Capital by the Company from the Vendor pursuant to the Sale and Purchase Agreement. Pursuant to the Sale and Purchase Agreement, the refundable deposit of HK\$25,000,000 (the “**Deposit**”) shall be paid by the Company to the Vendor within three Business Days from the date of publication of the Announcement. The Deposit had been paid by the Company to the Vendor on 15 October 2008 and the Deposit would not bear any interest and security.

On 27 February 2009, the Company verbally agreed with the Vendor to terminate the Sale and Purchase Agreement for the purpose of further negotiation for the terms and ways of possible cooperation and/or transaction between the Vendor and the Company. As additional time was required for the Vendor and the Company to negotiate for the terms and ways of possible cooperation and/or transaction between the Vendor and the Company, on 30 June 2009, the Company further verbally agreed with the Vendor to extend the period for the parties to enter into a binding agreement regarding the possible cooperation and/or transaction to on or before 30 September 2009 or such later date as the Company and the Vendor may agree. On 30 September 2009, the Company and the Vendor entered into the Acquisition Agreement pursuant to which the Company agreed to acquire and the Vendor agreed to sell the Sale Copyrights at a consideration of HK\$25 million. Since the Consideration was more favorable than its existing cost of development, the Company considered that the Consideration will be set off by the Deposit already paid by the Company at Completion to be fair and reasonable.

The Consideration was determined with reference to the Directors’ valuation of the Sale Copyrights based on market approach by reference to companies holding similar copyrights. The production cost per minute for the film was approximately RMB10,000 in the PRC market. The Acquisition consisted of the animated series and educational film series in a total of approximately 5,400 minutes. According to the assessment by the Directors, the Consideration represented a substantial discount to the cost of its production. The Consideration was agreed between the Company and the Vendor after arm’s length negotiations. The Consideration represented a discount of approximately 32.4% to the cost value of the Sale Copyrights in the amount of RMB32,628,000. The Directors estimated the fair value of the Sale Copyrights was approximately HK\$39 million. As such, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Acquisition to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

In the event that Completion does not take place, the Vendor shall forthwith refund to the Company the Deposit, without interest.

Conditions precedent

Completion shall be conditional upon and subject to:

- the passing by the Shareholders at an extraordinary general meeting of the Company to be convened and held of an ordinary resolution to approve the Acquisition Agreement and the transactions contemplated thereunder.

All of the conditions are not waivable under the Acquisition Agreement. If the conditions have not been satisfied on or before 31 January 2010, or such later date as the Company and the Vendor may agree, the Vendor shall forthwith refund the Deposit, without interest, to the Company and the Acquisition 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 Vendor.

INFORMATION ON THE SALE COPYRIGHTS AND THE TRADEMARKS

The Sale Copyrights

The copyrights of a film library which contains five series (a total of 320 episodes), and 16 education series of an animation (the “**Animation**”) 神探威威貓 (Wiwione - Detective Winkey Cat) and music songs. The first series, the second series, the third series, the fourth series and the fifth series of the Animation has 69 episodes, 60 episodes, 72 episodes, 60 episodes and 60 episodes respectively. Each episode for the first and second series is approximately 13 minutes and each episode for the third, fourth and fifth series is approximately 14 minutes. For the education series, it has 16 episodes and each episode is approximately 60 minutes. For the music songs, it includes the copyright of 16 albums of children's songs of which each album contains 20 songs under Wiwione. The Sale Copyrights for the two financial years immediately preceding the Acquisition did not generate any profit.

Since its establishment in 1998, the Former Target developed and registered the Sale Copyrights and the Trademark. The Sale Copyrights did not generate any profit in the Former Target because the management of the Former Target did not achieve the basic number of broadcasting hours as required for the promotion of programmes under the Sale Copyrights in each television station in the PRC in order to promote the popularity of the Animation. The revenue generated from the Sale Copyrights was not sufficient to maintain its operation in the Former Target since the establishment of the Former Target up to 31 December 2006. Upon completion, the Company will change the marketing strategy into free broadcasting approach from the programmes of the Sale Copyrights in exchange for the usage of air time promotion and advertisement in the television stations in the PRC, and will apply for the subsidies entitlement under approved government policies in the PRC.

According to the audited financial statements of the Former Target prepared under the PRC accounting standard, for the year ended 31 December 2007, the Former Target did not record any turnover and net profit before and after taxation.

According to the unaudited management accounts of the Former Target prepared under the PRC accounting standard, for the year ended 31 December 2008, the Former Target did not record any turnover and net profit before and after taxation.

According to the unaudited management accounts of the Former Target prepared under the PRC accounting standard, for the six months ended 30 June 2009, the Former Target did not record any turnover and net profit before and after taxation.

The Trademarks

The trademarks are trademarks in relation to the Animation including the characters of the Animation 威威貓 (Wiwione), 愛愛兔 (Aiaitwo) and 頑逗 (Winkeycat) and the name of the Animation.

Since the Sale Copyrights and the Trademarks were originally owned by the Former Target, the Company has reviewed the cost of the Sale Copyrights and the Trademarks in the management accounts of the Former Target for the two years before the disposal of the Sale Copyrights and the Trademarks from the Former Target to the Vendor. After the termination of the Sale and Purchase Agreement, the Former Target directly transferred the Sale Copyrights and the Trademark to the Vendor at cost value.

REASONS FOR THE ACQUISITION

The Group is principally engaged in sales and marketing of mobile phone appliances and the relevant application solution. As set out in the annual report of the Company for the year ended 31 December 2008, as there is fierce competition in the current business operations of the Group, the Board has been seeking opportunities to increase the business scope and the foundation of the Group. In view of the intense competition and falling profit margin, the Company is actively seeking opportunities to other business with higher return.

Mr. Xiang has many years of business experience in animation technology, film and television production industry in the PRC. Mr. Xiang had participated in the development of the business plans and investment cooperation in 廣州國家動漫基地公共技術平臺 (The Public Technology Platform for the National Animation Base in Guangzhou*) and 深圳國家動漫基地公共技術平臺 (The Public Technology Platform for the National Animation Base in Shenzhen *) and is familiar with the policies, government support and the business modelling in the animation industry in the PRC. Mr. Xiang's family owns the distribution network with more than 3,000 agents for the leading children toy "Muma toys" in the PRC. Mr. Xiang also has a good relationship with certain level of television stations, various training institutions and production companies in the PRC.

As the Group has the experience in mobile phone business and is now in the development of business in LED and LCD consumer electronic appliances, the Sale Copyright and the Trademark will be applied to LED and LCD consumer electronic appliances to expand the series of products and services in the children market. The extension of these LED and LCD consumer electronic appliances in the children market will provide a higher return to the Group since the Group will not need to put a high proportion of resources in production and marketing for the children market. At Completion, the trademarks attached to the Sale Copyrights would be transferred from the Vendor to the Company at nil consideration. The Directors consider that the proposed acquisition including the Trademarks to be transferred from the Vendor to the Company pursuant to the Acquisition Agreement will assist the promotion of the products of the Group in the children market and will assist the Group further broaden the market in the mainland China. The Acquisition will further the Company's products into the children market to be newly developed by the Company.

Based on the above, the Board is of the view that the terms and conditions of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

The Acquisition constitutes a major transaction on the part of the Company under the GEM Listing Rules and is therefore required to be made conditional on Shareholders' approval. A circular containing further information on the Acquisition and a notice of the EGM will be despatched to the Shareholders in due course.

SUSPENSION AND RESUMPTION OF TRADING

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DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Copyrights by the Company from the Vendor pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional Acquisition Agreement dated 30 September 2009 entered into between the Company and the Vendor in relation to the sale and purchase of the Sale Copyrights
“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 Copyrights in accordance with the terms and conditions of the Acquisition Agreement
“connected persons”	has the meaning ascribed to this term under the GEM Listing Rules
“Consideration”	the consideration of HK\$25 million paid by the Company to the Vendor for the Acquisition and to be satisfied in the manner as described in this announcement
“Deposit”	the deposit in the amount of HK\$25 million already paid by the Company to the Vendor
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened by the Company to approve the Acquisition
“Former Target”	廣東愛威文化發展有限公司 (Guangdong Allwin Culture Development Co., Ltd.)*, a limited company established in the PRC
“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
“Mr. Xiang”	Mr. Xiang Xin, an executive Director and the chairman of the Company
“Protex Utility”	Boss Media Limited (formerly known as Protex Utility Computing (Hong Kong) Limited), a company incorporated in Hong Kong with limited liability and the entire issued share capital of which are held by Mr. Xiang

“ Sale and Purchase Agreement ”	the conditional sale and purchase agreement dated 20 September 2008 (as supplemented by the supplemental agreement dated 10 October 2008) entered into between the Company and the Vendor in relation to the sale and purchase of the Sale Capital
“ Sale Capital ”	the registered and paid up capital of the Former Target in the amount of RMB24,000,000, representing 24% of the registered and paid up capital upon completion of the proposed increase in the registered and paid up capital of the Former Target from RMB32,800,000 to RMB100,000,000
“ Sale Copyrights ”	the copyrights of a film library which contains five series (a total of 320 episodes), and 16 education series of an animation (the “ Animation ”) 神探威威貓 (Wiwione - Detective Winkey Cat) and music songs
“ 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
“ Vendor ”	Ms. Zhuang Xiao Shan
“ HK\$ ”	Hong Kong dollars, the lawful currency of Hong Kong
“ RMB ”	Renminbi, the lawful currency of the PRC

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

Hong Kong, 27 January 2010

As at the date of this announcement, the executive Directors are Mr. Xiang Xin, Mr. Yang Gaocai, Mr. Wong Chak Keung and Mr. Law Gerald Edwin and the independent non-executive Directors are Mr. Zhang Zhan Liang, Ms. Lu Yuhe and Mr. Kwok Chi Hung.

This announcement, for which the Directors collectively and individually accept full responsibilities, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM 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.

** for identification purposes only*