



**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 2010**

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This announcement, for which the directors of China Trends Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to China Trends Holdings Limited. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

## HIGHLIGHTS

- Turnover for the year ended 31 December 2010 amounted approximately to HK\$37,108,000
- Net loss attributable to shareholders was HK\$8,813,000 with basic loss per share of HK\$0.24 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 2010, together the audited comparative figures for the corresponding year in 2009 as follows:

### CONSOLIDATED INCOME STATEMENT

*Year ended 31 December 2010*

	<i>Notes</i>	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
REVENUE	4	<b>37,108</b>	51,183
Cost of sales		<u>(36,730)</u>	<u>(50,589)</u>
Gross profit		<b>378</b>	594
Other income and gains	4	<b>2,776</b>	608
Administrative and other operating expenses		<b>(12,193)</b>	(8,906)
Impairment of assets of a disposal group	5	–	(39,655)
Other impairment losses	8	–	<u>(2,415)</u>
LOSS BEFORE TAX	5	<b>(9,039)</b>	(49,774)
Income tax expenses	6	–	–
LOSS FOR THE YEAR		<u><b>(9,039)</b></u>	<u>(49,774)</u>
Attributable to:			
Owners of the Company		<b>(8,813)</b>	(49,774)
Non-controlling interests		<u><b>(226)</b></u>	–
		<u><b>(9,039)</b></u>	<u>(49,774)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			<i>Restated</i>
Basic	8	<u><b>(0.24) cents</b></u>	<u>(6.29) cents</u>
Diluted	8	<u><b>(0.24) cents</b></u>	<u>(6.29) cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u><b>(9,039)</b></u>	<u>(49,774)</u>
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	<u>678</u>	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>678</u>	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><b>(8,361)</b></u>	<u>(49,774)</u>
Attributable to:		
Owners of the Company	<b>(8,141)</b>	(49,774)
Non-controlling interests	<u>(220)</u>	—
	<u><b>(8,361)</b></u>	<u>(49,774)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	<i>Notes</i>	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>2,835</b>	1,588
Available for sales investments	<i>9</i>	–	–
Intangible assets	<i>10</i>	<b>527,279</b>	482,794
Deferred tax assets		–	–
Prepared licenses fee	<i>11</i>	–	–
Total non-current assets		<b>530,114</b>	484,382
<b>CURRENT ASSETS</b>			
Inventories		<b>1,164</b>	1,178
Contract works in progress	<i>12</i>	–	–
Trade receivables	<i>13</i>	–	–
Prepayments, deposits and other receivables	<i>14</i>	<b>12,883</b>	27,894
Cash and bank balances		<b>111,503</b>	6,764
Assets of a disposal group classified as held for sale	<i>7</i>	–	7,889
Total current assets		<b>125,550</b>	43,725
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>15</i>	–	–
Other payables and accruals		<b>902</b>	2,727
Tax payable		<b>46</b>	46
Due to a director		<b>13,840</b>	18,520
Liabilities directly associated with the assets classified as held for sale	<i>7</i>	–	7,889
Total current liabilities		<b>14,788</b>	29,182
<b>NET CURRENT ASSETS</b>		<b>110,762</b>	14,543
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>640,876</b>	498,925
Net assets		<b>640,876</b>	498,925
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	<i>16</i>	<b>66,350</b>	7,037
Equity component of convertible bonds		<b>391,534</b>	460,768
Reserves		<b>181,574</b>	31,120
Non-controlling interest		<b>639,458</b>	498,925
		<b>1,418</b>	–
Total equity		<b>640,876</b>	498,925

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Attributable to owners of the Company											
	Issued capital	Share premium account	Warrant reserve	Share option reserve	Exchange 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	HK\$'000
							(Note (a))	(Note (b))				
As at 1 January 2009	5,865	68,379	900	6,977	-	-	11,157	-	(13,470)	79,808	-	79,808
Placement of shares	1,172	7,037	-	-	-	-	-	-	-	8,209	-	8,209
Share issue expenses	-	(86)	-	-	-	-	-	-	-	(86)	-	(86)
Share option lapsed during the year	-	-	-	(1,860)	-	-	-	-	1,860	-	-	-
Warrant lapsed during the year	-	-	(900)	-	-	-	-	-	900	-	-	-
Issue of convertible bonds	-	-	-	-	-	460,768	-	-	-	460,768	-	460,768
Total comprehensive income for the year	-	-	-	-	-	-	-	-	(49,774)	(49,774)	-	(49,774)
At 31 December 2009 and at 1 January 2010	7,037	75,330	-	5,117	-	460,768	11,157	-	(60,484)	498,925	-	498,925
Acquisition of non-controlling interest	-	-	-	-	-	-	-	(1,638)	-	(1,638)	1,638	-
Issue of shares (note 16(ii))	1,400	16,100	-	-	-	-	-	-	-	17,500	-	17,500
Right issues (note 16(iii))	33,750	101,248	-	-	-	-	-	-	-	134,998	-	134,998
Right issue expenses	-	(2,186)	-	-	-	-	-	-	-	(2,186)	-	(2,186)
Conversion of convertible bonds	24,163	45,071	-	-	-	(69,234)	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	672	-	-	-	(8,813)	(8,141)	(220)	(8,361)
At 31 December 2010	<u>66,350</u>	<u>235,563</u>	<u>-</u>	<u>5,117</u>	<u>672</u>	<u>391,534</u>	<u>11,157</u>	<u>(1,638)</u>	<u>(69,297)</u>	<u>639,458</u>	<u>1,418</u>	<u>640,876</u>

*Note:* (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 of Hong Kong Limited 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.

## **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 Company is an investment holding company. The Group’s principal activities have not changed during the year and were involved in (i) sales and marketing of mobile phone appliance and the relevant application solution and (ii) trading of LED/LCD and related products business. The Group also intends to engage in the media business by provision of online media platforms and multi-media and advertising business which have not commenced during the year ended 31 December 2010.

The shares of the Company have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 31 July 2002.

### **2.1 BASIS OF PREPARATION**

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

#### **Basis of consolidation**

##### *Basis of consolidation for the year ended 31 December 2010*

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

### ***Basis of consolidation for the year ended 31 December 2009***

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

## **2.2 EXTRACT OF INDEPENDENT AUDITORS' REPORT**

### **Emphasis of Matter**

The auditors draw attention that their previous report dated 23 March 2010 in respect of the financial statements for the year ended 31 December 2009 of the Group and the Company were disclaimed in view of scope limitations on the assets and liabilities, which had been fully impaired, and the results of a disposal group classified as held for sale.

Any adjustments found to be necessary may affect the comparative figures in respect of the gross assets and liabilities of the disposal group classified as held for sale as at 31 December 2009 and the results and cash flows and the related disclosures in the notes to the financial statements of the Group and the Company for the year ended 31 December 2009.

## 2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transaction
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement –Eligible Hedged Items
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HKFRS 5 Amendments included in HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations–Plan to sell the controlling interest in a Improvements to subsidiary
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendments	Amendment to HK Interpretation 4 Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK Interpretation 5	Presentation of Financial Statements – Classification by the borrower of Term Loan that Contains a Repayment on Demand Clause

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised) and amendments to HKAS 7 included in Improvements to HKFRSs 2009, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

**(a) HKFRS 3 (Revised) Business Combinations and HKAS 27 (Revised) Consolidated and Separate Financial Statements**

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 Statement of Cash Flows, HKAS 12 Income Taxes, HKAS 21 The Effects of Changes in Foreign Exchange Rates, HKAS 28 Investments in Associates and HKAS 31 Interests in Joint Ventures. The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.



(b) Improvements to HKFRSs 2009 issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 Statement of Cash Flows: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

## 2.4 HONG KONG FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>2</sup>
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets <sup>4</sup>
HKFRS 9	Financial Instruments <sup>5</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>3</sup>
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues <sup>1</sup>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement <sup>3</sup>
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>2</sup>

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2010 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

<sup>1</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2013

Further information about those changes that are expected to have a significant impact on the Group's policies is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the “Additions”). The changes resulting from the Amendments only affect the measurement of financial liabilities designated at fair value through profit or loss using the fair value option (“FVO”). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income (“OCI”). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability’s credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other requirements in HKAS 39 in respect of liabilities are carried forward into HKFRS 9. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of these additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting, derecognition and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2013.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly.

While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group’s policies are as follows:

- (a) **HKFRS 3 Business Combinations:** Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree’s identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- (b) **HKAS 1 Presentation of Financial Statements:** Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

- (c) HKAS 27 Consolidated and Separate Financial Statements: Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

### **3. OPERATING SEGMENT INFORMATION**

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

- (a) the marketing of mobile appliance segment is involved in sales and marketing of mobile phone appliance and the relevant application solution;
- (b) the trading of LED/LCD products segment is involved in trading of LED/LCD and related products; and
- (c) the media business 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, finance costs, and exchange gains as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, pledged deposits, cash and cash equivalents, equity investments at fair value through profit or loss, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank and other borrowings, the amount due to a director and a related company, tax payable, deferred tax liabilities and other unallocated head office and corporate assets 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.

**Year ended 31 December 2010**

	<b>Marketing of mobile appliance HK\$'000</b>	<b>Trading of LED/LCD products HK\$'000</b>	<b>Media business HK\$'000</b>	<b>Total HK\$'000</b>
<b>Segment revenue:</b>				
Sales to external customers	–	37,108	–	37,108
Intersegment sales	–	–	–	–
	<u>–</u>	<u>37,108</u>	<u>–</u>	<u>37,108</u>
Reconciliation:				
Elimination of intersegment sales				–
Revenue				<u>37,108</u>
<b>Segment result</b>				
Reconciliation:				
Elimination of intersegment sales				–
Other income and gains				2,776
Unallocated expenses				<u>(12,193)</u>
Loss before tax				(9,039)
Income tax expenses				–
Loss for the year				<u>(9,039)</u>
<b>Segment assets</b>				
Unallocated assets			552,440	552,440
Total assets				<u>103,224</u>
<b>Segment liabilities</b>				
Unallocated liabilities			14,233	14,233
Total liabilities				<u>555</u>
<b>Other segment information:</b>				
Capital expenditure			1,895	1,895
Depreciation and amortisation		239	410	<u>649</u>

Year ended 31 December 2009

	Marketing of mobile appliance <i>HK\$'000</i>	Trading of LED/LCD products <i>HK\$'000</i>	Media business <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue:</b>				
Sales to external customers	10,975	40,208	–	51,183
Intersegment sales	–	–	–	–
	<u>10,975</u>	<u>40,208</u>	<u>–</u>	<u>51,183</u>
<b>Reconciliation:</b>				
Elimination of intersegment sales				–
Revenue				<u>51,183</u>
<b>Segment result</b>				
	160	434	–	594
<b>Reconciliation:</b>				
Elimination of intersegment sales				–
Other income and gains				608
Unallocated expenses				(8,906)
Impairment of assets of a disposal group	(39,655)	–	–	(39,655)
Other impairment loss	(2,415)	–	–	(2,415)
Loss before tax				(49,774)
Income tax expenses				–
Loss for the year				<u>(49,774)</u>
<b>Segment assets</b>				
	7,889	–	511,529	519,418
Unallocated assets				<u>8,689</u>
Total assets				<u>528,107</u>
<b>Segment liabilities</b>				
	7,889	–	18,768	26,657
Unallocated liabilities				<u>2,525</u>
Total liabilities				<u>29,182</u>
<b>Other segment information:</b>				
Capital expenditure	183	–	667	850
Depreciation and amortisation	<u>253</u>	<u>–</u>	<u>–</u>	<u>253</u>

## Geographical information

Year ended 31 December 2010

(a) *Revenue from external customers*

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Hong Kong	–	24,456
Mainland China	37,108	17,456
Thailand	–	9,271
	<u>37,108</u>	<u>51,183</u>

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

(b) *Total assets*

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Hong Kong	103,224	16,578
Mainland China	552,440	511,529
	<u>655,664</u>	<u>528,107</u>

Total assets information is based on the location of assets and excludes financial instruments and deferred tax assets.

## Information about a major customer

Revenue of approximately HK\$24,738,000 was derived from sales to a single customer during the year ended 31 December 2010 (2009: HK\$15,756,000).

#### 4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Revenue		
Sales of goods	<u>37,108</u>	<u>51,183</u>
Other income and gains		
Bank interest income	478	1
Exchange gains, net	1,824	–
Others	<u>474</u>	<u>607</u>
	<u>2,776</u>	<u>608</u>
Total revenue, other income and gains	<u><u>39,884</u></u>	<u><u>51,791</u></u>

## 5. LOSS BEFORE TAX

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

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Cost of sales <sup>#</sup>	<b>36,730</b>	50,589
Auditors' remuneration		
Annual audit	<b>232</b>	238
Other assurance services	<b>188</b>	914
Non-assurance services	<u>–</u>	<u>276</u>
	<b>420</b>	1,428
Depreciation	<b>649</b>	253
Employee benefits expenses (including directors' remuneration:		
Wages and salaries	<b>2,268</b>	2,058
Others	<b>251</b>	159
Pension scheme contributions	<u>55</u>	<u>58</u>
	<b>2,574</b>	2,275
Minimum lease payments under operating leases, land and buildings	<b>2,274</b>	1,177
Impairment of trade receivables	–	1,700
Impairment of prepayments, deposits and other receivables	–	455
Written-off of property, plant and equipment	–	260
Written-off of trade mark	–	–
Impairment of assets of a disposal group	–	39,655
Bank interest income	<b><u>(478)</u></b>	<b><u>(1)</u></b>

<sup>#</sup> Include an amount of HK\$Nil (2009: HK\$253,410) in respect of write-down of inventories to net realisable value.



## 6. INCOME TAX EXPENSES

Hong Kong profits tax has not been provided for the years ended 31 December 2009 and 2010 as the Group did not generate any assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current tax – Hong Kong		
Charge for the year	—	—
Deferred tax		
Charge for the year	—	—
Total tax charge for the year	<u>—</u>	<u>—</u>

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

	2010 <i>HK\$'000</i>	%	2009 <i>HK\$'000</i>	%
Loss before tax	<u>(9,039)</u>		<u>(49,774)</u>	
Tax at the statutory tax rate	(1,491)	16.5	(8,212)	16.5
Income not subject to tax	(381)	4.2	(25)	0.1
Expenses not deductible for tax	—	—	6,953	(14.0)
Tax benefit not recognised	<u>1,872</u>	<u>(20.7)</u>	<u>1,284</u>	<u>(2.6)</u>
Tax charge at the Group's effective tax rate	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

## 7. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 15 June 2009, the Company entered into a sale and purchase agreement with an independent third party (the “Purchaser”), pursuant to which, the Company agreed to dispose to the Purchaser (the “Disposal”) (i) Ace Solution Technology Limited (“Ace Solution”) and its subsidiaries, namely Synerex Inc., Zetta Media Holdings Limited, Gold Glory Development Limited, Qualfield Limited, Zetta Global Limited, Hanbit I & T (HK) Co., Limited and Quasar Communication Technology Limited (collectively referred as to the “Disposal Group”); and (ii) the amount due by the Disposal Group to the Company (the “Sale Loan”) at a consideration of HK\$1.00.

Ace Solution was incorporated in the British Virgins Island (the “BVI”) on 12 February 2002 with limited liability and was engaged in investment holding. The Disposal Group were principally engaged in sales and marketing of mobile phone appliance and the relevant application solution.

As at 31 December 2009, the Disposal has not yet been completed and the assets and liabilities of the Disposal Group were classified as a disposal group held for sale and were stated at lower of their carrying amounts and the fair values less costs to sell. The Disposal was completed on 5 February 2010.

The results of the Disposal Group for the period from 1 January 2010 to 5 February 2010, being the date of completion of the Disposal and for the year ended 31 December 2009 were as follows:

	<b>Period from 1 January 2010 to 5 February 2010 HK\$'000</b>	<b>Year ended 31 December 2009 HK\$'000</b>
Revenue	–	1,700
Cost of sales	–	(1,700)
Gross profit	–	–
Other income and gains	–	–
Administrative and other operating expenses	–	(307)
Finance costs	–	–
Other impairment losses	–	(2,079)
Loss before tax	–	(2,386)
Income tax expenses	–	(434)
Loss for the period/year	<u>–</u>	<u>(2,820)</u>

The major classes of assets and liabilities of the Disposal Group classified as held for sale as at 5 February 2010 and 31 December 2009 were as follows:

	<b>5 February 2010 HK\$'000</b>	31 December 2009 HK\$'000
<b>Assets</b>		
Deferred tax assets	280	280
Available-for-sales investments (note 9)	–	–
Prepaid licence fee (note 11)	–	–
Inventories	–	–
Contract works in progress (note 12)	34,340	34,340
Trade receivables (note 13)	–	–
Prepayments, deposits and other receivables (note 14)	12,847	12,847
Cash and bank balances	77	77
	<hr/>	<hr/>
Assets classified as held for sale	47,544	47,544
<b>Liabilities</b>		
Trade payables (note 15)	(219)	(219)
Other payables and accruals	(2,448)	(2,448)
Tax payable #	(5,222)	(5,222)
	<hr/>	<hr/>
Liabilities directly associated with the assets classified as held for sale	(7,889)	(7,889)
<b>Intercompany balance with other members of the Disposal Group</b>		
Due to ultimate holding company	(32,602)	(32,602)
	<hr/>	<hr/>
<b>Net assets directly associated with the Disposal Group</b>	<b>7,053</b>	<b>7,053</b>
Less: Consideration for the Disposal*	–	–
	<hr/>	<hr/>
Impairment of assets of the Disposal Group	7,053	7,053
Impairment of amount due to ultimate holding company by the Disposal Group	32,602	32,602
	<hr/>	<hr/>
Total impairment of assets of the Disposal Group*	<b>39,655</b>	<b>39,655</b>
	<hr/> <hr/>	<hr/> <hr/>
Assets of the Disposal Group classified as held for sale	47,544	47,544
Less: Impairment*	(39,655)	(39,655)
	<hr/>	<hr/>
Net assets directly associated with the Disposal Group	7,889	7,889
Liabilities directly associated with the assets classified as held for sale	(7,889)	(7,889)
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>

# In January 2010, the Disposal Group was sued by the Commissioner of Inland Revenue regarding the outstanding tax payable of approximately HK\$1,165,000 for the year of assessment 2002/03. The outstanding tax payable together with the penalty had been fully provided for as at 31 December 2009.

\* Pursuant to the agreement of the Disposal, among other things, the net assets of the Disposal Group and the Sale Loan were disposed of at a consideration of HK\$1.00. As such, a total impairment loss of HK\$39,655,000 was provided during the year ended 31 December 2009 to reflect the loss of the Disposal.

As detailed in the annual report of the Group for the years ended 31 December 2008 and 2009, the underlying books and records of the Disposal Group were not accessible due to the changes to the then board of directors of the Company and the Disposal Group during the year ended 31 December 2008. Although the present board of directors of the Company represented they had taken due care in the preparation of the financial statements of the Group, they were unable to represent to the completeness of the books and records of the Disposal Group for the year ended 31 December 2008. Accordingly, for the year ended 31 December 2009 and for the period ended 5 February 2010.

Nevertheless, the directors of the Company were of the opinion that a full impairment loss had been made on the net assets of the Disposal Group as at 31 December 2009 and accordingly, the above matter should have no material impact on the financial statements of the Group and the Company for the year.

The calculation of the gain/loss on completion of the Disposal was as follows:

	<i>HK\$'000</i>
Net assets directly associated with the Disposal Group	7,889
Liabilities directly associated with the assets classified as held for sale	<u>(7,889)</u>
Net assets value	–
Less: Sale proceeds	<u>–</u>
Gain/loss on disposal of the Disposal Group	<u><u>–</u></u>

The net cash flows incurred by the Disposal Group for the period from 1 January 2010 to 5 February 2010 and for the year ended 31 December 2009 were as follows:

	<b>Period from 1 January 2010 to 5 February 2010 HK\$'000</b>	Year ended 31 December 2009 HK\$'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before tax	–	(2,386)
Adjustments for:		
Written off of property, plant and equipment	–	260
Impairment of trade receivables	–	1,700
Impairment of prepayments, deposits and other receivable	–	119
Depreciation of property, plant and equipment	–	45
	–	(262)
Decrease in inventories	–	1,700
Increase in trade receivables	–	(1,700)
Increase in prepayments, deposits and other receivables	–	(175)
Increase in other payables and accruals	–	200
Decrease in amount due to a related company	–	(221)
	–	(458)
Hong Kong profits tax paid	–	(113)
Net cash flows used in operating activities	–	(571)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in amount due to ultimate holding company	–	230
Net cash flows from financing activities	–	230
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at beginning of period/year	77	418
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR</b>	<b>77</b>	<b>77</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	77	77

An analysis of the net outflow of cash and cash equivalents in respect of the Disposal is as follows:

	<b>Period from 1 January 2010 to 5 February 2010 HK\$'000</b>	Year ended 31 December 2009 HK\$'000
Sales proceeds	–	–
Cash and bank balances sold	<u>77</u>	<u>77</u>
Net outflow of cash and cash equivalents in respect of the disposal of the Disposal Group	<u><u>(77)</u></u>	<u><u>(77)</u></u>
Loss per share:		
Basic, from the Disposal Group	<u>–</u>	<u>(0.35) cents</u>
Diluted, from the Disposal Group	<u>–</u>	<u>(0.35) cents</u>

The calculations of basic and diluted loss per share from the Disposal Group are based on:

	<b>Period from 1 January 2010 to 5 February 2010 HK\$'000</b>	Year ended 31 December 2009 HK\$'000
Earnings		
Loss for the period/year attributable to ordinary equity holders of the Company from the Disposal Group	<u>–</u>	<u>(2,820)</u>
	<b>Number of shares</b>	
	<b>5 February 2010</b>	31 December 2009 <i>Restated</i>
Shares		
Weighted average number of ordinary shares in issue during the period/year used in the basic loss per share calculation	<u>3,693,818,700</u>	<u>791,659,177</u>

No adjustment has been made to the basic loss per share from the Disposal Group presented for the period from 1 January 2010 to 5 February 2010 and for the year ended 31 December 2009 in respect of a dilution as the share options, warrants and convertible bonds outstanding during the period/year had an anti-dilutive effect on the basic loss per share.

## 8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the year attributable to ordinary equity holders 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:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>Earnings</b>		
Loss for the year attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	<u>(8,813)</u>	<u>(49,774)</u>
	Number of shares	
	2010	2009 <i>Restated</i>
Weighted average number of ordinary shares in issue during the year used in basic loss per share calculation	<u>3,693,818,700</u>	<u>791,659,177</u>

No adjustment has been made to the basic loss per share presented for the years ended 31 December 2009 and 2010 in respect of a dilution as the share options, warrants and convertible bonds outstanding during the year had an anti-dilutive effect on the basic loss per share.

## 9. AVAILABLE-FOR-SALE INVESTMENTS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Unlisted shares, at cost	-	9,142
Impairment	<u>-</u>	<u>(9,142)</u>
	-	-
Less: Transfer to assets of a disposal group classified as held for sales ( <i>note 7</i> )		
Unlisted shares, at cost	-	9,142
Impairment	<u>-</u>	<u>(9,142)</u>
	-	-
	<u>-</u>	<u>-</u>

Last year's balance represented unlisted equity investments which were stated at cost less impairment, as the range of reasonable fair value estimates was so significant, the then directors of the Company were of the opinion that their fair value could not be measured reliably.

As detailed in note 7 to this announcement, the Company entered into a sale and purchase agreement on 15 June 2009 with an independent third party for the disposal of the Disposal Group. Accordingly, the above unlisted shares of the Disposal Group were transferred to “Assets of a disposal group classified as held for sales” as at 31 December 2009. The Disposal was completed on 5 February 2010.

## 10. INTANGIBLE ASSETS

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



	Trade mark <i>HK\$'000</i> <i>(note (a))</i>	Rights in sharing of profit streams from online network operation in internet cafes <i>HK\$'000</i> <i>(note (b))</i>	Copyright of a film library <i>HK\$'000</i> <i>(note (c))</i>	Right granted by a mobile location- based service provider <i>HK\$'000</i> <i>(note (d))</i>	Total <i>HK\$'000</i>
31 December 2009					
At 1 January 2009					
Cost	17	-	-	-	17
Accumulated amortisation and impairment	(17)	-	-	-	(17)
Net carrying amount	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 1 January 2009, net of accumulated amortisation and impairment	-	-	-	-	-
Acquisition of subsidiaries	-	482,794	-	-	482,794
At 31 December 2009, net of accumulated amortisation and impairment	<u>-</u>	<u>482,794</u>	<u>-</u>	<u>-</u>	<u>482,794</u>
At 31 December 2009					
Cost	17	482,794	-	-	482,811
Accumulated amortisation and impairment	(17)	-	-	-	(17)
Net carrying amount	<u>-</u>	<u>482,794</u>	<u>-</u>	<u>-</u>	<u>482,794</u>

#### Notes

- (a) The trade mark represented the trade mark of QUASAR with an indefinite useful lives which has no longer be used by the Group after the disposal of the Disposal Group and had been fully written off during the year ended 31 December 2010.
- (b) The rights (the “Rights”) in sharing of profit steams (the “Profit Steams”) from online network operation in internet cafes of approximately HK\$482,794,000 represented the Rights arising from an co-operation agreement (the “CY Co-operation Agreement”) entered into between a subsidiary of the Company and CY Foundation Group Limited. Pursuant to the CY Co-operation Agreement, the Group is entitled to participate in the co-operation and share the Profits Streams for a period of 15 years from operation of the online network in internet cafes owned by CY Foundation Group Limited, extensible for another 15 years from operation of the online network in internet cafes owned by CY Foundation Group Limited. The Rights is stated at cost and is amortised on the straight line basis over its estimated useful live. Amortisation shall begin when the Rights is available for use.

The fair value of the Rights has been assessed by Asset Appraisal Limited, an independent valuer, No impairment has been provided as the fair value is higher than its carrying amount at the end of the reporting period.

- (c) Copyright of a film library (the “Copyright”) represented the copyright of five series (a total of 320 episodes) and 16 education series of an animation 神探威威貓 and the related music songs which was acquired during the year, with an indefinite useful lives at a consideration of HK\$25,000,000.

The fair value of the Copyright has been assessed by Ascent Partners Transaction Service Limited, an independent valuer. No impairment has been provided as the fair value is higher than its carrying amount at the end of the reporting period.

- (d) The balance of HK\$19,485,000 represented the right (the “Agent Rights”) granted by a mobile location-based service provider to a subsidiary of the Company as an agent of the products of the mobile location-based services provider in the PRC and the sole franchised dealer in overseas market.

The fair value of the Agent Rights has been assessed by Asset Appraisal Limited, an independent valuer. No impairment has been provided as the fair value is higher than its carrying amount at the end of the reporting period.

## 11. PREPAID LICENSES FEE

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Cost	–	5,460
Accumulated amortisation	–	(5,460)
	<hr/>	<hr/>
Net carrying value	–	–
Less: Transfer to assets of a disposal group classified as held for sales ( <i>note 7</i> )		
Cost	–	5,460
Accumulated amortisation and impairment	–	(5,460)
	<hr/>	<hr/>
	–	–
	<hr/> <hr/>	<hr/> <hr/>

Last year’s balance represented prepaid Free To Air (“FTA”) licence fee which was amortisable over its useful economic life. The FTA licence was a full-type approval certificate for testing and accreditation of mobile phone appliances under a set of required testing standards.

In view of the non-performance of the FTA licence as well as a lack of expected performance in the foreseeable future, a full impairment loss was made on the FTA licence in previous year.

As detailed in note 7 to this announcement, the Company entered into a sale and purchase agreement on 15 June 2009 with an independent third party for the disposal of the Disposal Group. Accordingly, the above prepaid licenses fee of the Disposal Group was transferred to “Assets of a disposal group classified as held for sale” at 31 December 2009. The Disposal was completed on 5 February 2010.

## 12. CONTRACT WORKS IN PROGRESS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Contract costs for development of mobile phone appliance solution	–	34,340
Impairment	–	–
	<u>–</u>	<u>–</u>
Net carrying amount	<u>–</u>	<u>34,340</u>
Less: Transfer to assets of a disposal group classified as held for sales ( <i>note 7</i> )		
Contract costs for development of mobile phone appliance solution	–	34,340
Impairment	–	–
	<u>–</u>	<u>34,340</u>
	<u>–</u>	<u>–</u>

As detailed in note 7 to this announcement, the Company entered into a sale and purchase agreement on 15 June 2009 with an independent third party for the disposal of the Disposal Group. Accordingly, the above construction works in progress was transferred to “Assets of a disposal group classified as held for sale” at 31 December 2009. The Disposal was completed on 5 February 2010.

## 13. TRADE RECEIVABLES

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Trade receivables	–	5,588
Impairment	–	(5,588)
	<u>–</u>	<u>–</u>
Less: Transfer to assets of a disposal group classified as held for sales ( <i>note 7</i> )		
Trade receivables	–	5,588
Impairment	–	(5,588)
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>

As detailed in note 7 to this announcement, the Company entered into a sale and purchase agreement on 15 June 2009 with an independent third party for the disposal of the Disposal Group. Accordingly, the above trade receivables was transferred to “Assets of a disposal group classified as held for sale” at 31 December 2009. The Disposal was completed on 5 February 2010.

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:

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Within 1 month	-	-
1 to 2 months	-	-
2 to 3 months	-	-
Over 3 months	-	5,588
	<u>-</u>	<u>5,588</u>
	<b><u>-</u></b>	<b><u>5,588</u></b>

The movements in provision for impairment of trade receivables are as follows:

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
At 1 January	-	3,888
Impairment loss recognised during the year	-	1,700
	<u>-</u>	<u>5,588</u>
Less: Transfer to assets of a disposal group classified as held for sale ( <i>note 7</i> )	-	(5,588)
	<u>-</u>	<u>-</u>
At 31 December	<b><u>-</u></b>	<b><u>-</u></b>

#### 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2010 HK\$'000	2009 HK\$'000
Prepayments	349	363
Deposit for acquisition of a film library ( <i>note (a)</i> )	–	25,000
Deposit for acquisition of Nopo ( <i>note (b)</i> )	–	1,993
Deposit for a co-operation agreement ( <i>note (c)</i> )	11,800	–
Trade deposits paid ( <i>note (d)</i> )	–	8,200
Rental deposit	337	398
Other receivables	397	698
Tax reserve certificate	–	4,089
	<u>12,883</u>	40,741
Less: Transfer to assets of a disposal group classified as held for sales ( <i>note (e) and note 7</i> )		
Prepayments	–	(43)
Trade deposits paid ( <i>note (d)</i> )	–	(8,200)
Other receivables	–	(515)
Tax reserve certificate	–	(4,089)
	<u>12,883</u>	(12,847)
	<u><u>12,883</u></u>	<u><u>27,894</u></u>

#### Notes:

- (a) On 20 September 2008, the Company entered into a sale and purchase agreement (the “Allwin Agreement”) with an independent third party (the “Allwin Vendor”), pursuant to which, the Company agreed to acquire an enlarged 24% equity interest in Guangdong Allwin Culture Development Co., Limited (“Guangdong Allwin”) (the “Allwin Acquisition”) which was principally engaged in media production and integration, advertisement and animation production and broadcasting at a consideration of HK\$25,000,000. The Company was required to pay a deposit in the amount of HK\$25,000,000 for the Allwin Acquisition which was settled by the direct transfer of the deposit refunded by Ocean Space Development Limited in respect of the Legend Acquisition to the Allwin Vendor on 15 October 2008.

On 30 September 2009, the Company entered into another sale and purchase agreement with the Allwin Vendor, pursuant to which, the Company would acquire from the Allwin Vendor the copyright of a film library owned by Guangdong Allwin at a consideration of HK\$25,000,000 which would be set-off against the Allwin Deposit. The copyright of the film library consists of five series (a total of 320 episodes) and 16 education series of an animation 神探威威貓 (“Wiwione – Detective Winkey Cat”) and the related music songs. The acquisition was completed on 7 September 2010.

- (b) Last year's deposit of HK\$1,993,000 represented the deposit for a proposed acquisition of the entire issued share capital of Nopo Investment Limited which was completed on 22 January 2010.
- (c) On 7 July 2010, 博思夢想(中國)有限公司, a subsidiary of the Company, entered into a cooperation agreement (the "博思 Cooperation Agreement") with 博思夢想文化傳播有限公司, a related company of the Company, of which Ms. Yu Lei (于蕾) is a common director of both companies, for the joint establishment and operation of an online education platform, video production platform, reward redemption platform and advertisement broadcasting platform (the "Online Platforms"). Pursuant to the 博思 Cooperation Agreement, 博思夢想(中國)有限公司 is required to provide a capital contribution of RMB40,000,000 (equivalent to approximate HK\$47,200,000) for the Online Platforms. As at 31 December 2010, a deposit in the amount of RMB10,000,000 ((equivalent to approximate HK\$11,800,000) was paid by 博思夢想(中國)有限公司 and the Group had a commitment of RMB30,000,000 (equivalent to approximate HK\$35,400,000) in this respect.
- (d) Deposits paid represented amount paid by the Disposal Group to a supplier as deposits for supply of mobile phones and related appliance and accessories during the year ended 31 December 2008.
- (e) As detailed in note 7 to this announcement, the Company entered into a sale and purchase agreement on 15 June 2009 with an independent third party for the disposal of the Disposal Group. Accordingly, prepayments, trade deposits paid, other receivables and tax reserve certificate amounting to approximately HK\$43,000, HK\$8,200,000, HK\$515,000 and HK\$4,089,000, respectively of the Disposal Group were transferred to "Assets of a disposal group classified as held for sale" as at 31 December 2009. The Disposal was completed on 5 February 2010.

## 15. 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:

	<b>Group</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	<b>HK\$'000</b>
Over 90 days	—	219
	—	219
Less: Transfer to liabilities directly associated with the assets as held for sales ( <i>note 7</i> )	—	(219)
	<u>—</u>	<u>—</u>

The trade payables are non-interest-bearing and are normally settled on 60 day terms.

## 16. SHARE CAPITAL

### (a) Shares

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Authorised:		
30,000,000,000 ordinary shares of HK\$0.01 each	<u>300,000</u>	<u>300,000</u>
Issued and fully paid:		
6,635,001,932 ordinary shares (2009: 703,739,500) of HK\$0.01 each	<u>66,350</u>	<u>7,037</u>

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

	Number of shares in issue	Issued share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2009	586,451,500	5,865	68,379	74,244
Placement of shares (i)	117,288,000	1,172	7,037	8,209
Share issue expenses	—	—	(86)	(86)
At 31 December 2009 and 1 January 2010	703,739,500	7,037	75,330	82,367
Issue of shares (note (ii))	140,000,000	1,400	16,100	17,500
Rights issues (note (iii))	3,374,958,000	33,750	101,248	134,998
Rights Issues expenses	—	—	(2,186)	(2,186)
Conversion of convertible bonds (note (iv))	<u>2,416,304,432</u>	<u>24,163</u>	<u>45,071</u>	<u>69,234</u>
At 31 December 2010	<u>6,635,001,932</u>	<u>66,350</u>	<u>235,563</u>	<u>301,913</u>

#### Notes:

- (i) On 31 December 2008, the Company entered into a placing agreement with a placing agent to place a total of 117,288,000 shares of the Company of HK\$0.01 each at a placing price of HK\$0.07 per share (the "Placing"). The Placing was completed on 21 January 2009 with a net proceed of approximately HK\$8,123,000. The purpose of the Placing was to enlarge the shareholders base and to provide additional working capital for the Group's operation.

- (ii) Upon completion of the Nopo Acquisition on 22 January 2010, a total of 140,000,000 Consideration Shares were allotted and issued to the Vendor at a consideration of HK\$0.125 per share on 25 January 2010.
- (iii) Pursuant to an ordinary resolution passed by the shareholders of the Company on 14 June 2010, the Company issued a total of 3,374,958,000 rights shares (the “Rights Shares”) on the basis of 1 existing share for 4 Rights Shares (the “Right Issue”) at a subscription price of HK\$0.04 per Rights Share. The issue of Rights Shares was completed on 8 July 2010 with a gross proceed of approximately HK\$134,998,000. The Company intends to use part of the net proceeds as to approximately HK\$100 million for the development of the Group’s energy management contract business and the balance as general working capital of the Group.
- (iv) On 7 July 2010, the Company received conversion notices from the holders of the Convertible Bonds to exercise the conversion rights attaching to the Convertible Bonds for the principal amount of approximately HK\$460,768,000 at an adjusted conversion price of HK\$0.037 per share following the completion of the Rights Issue. Upon completion of the conversion, 2,416,304,432 shares of HK\$0.01 each of the Company were allotted and issued on 9 July 2010.

**(b) Share options**

Details of the Company’s share option scheme are included in note 28 to the financial statements.

**17. CONTINGENT LIABILITIES**

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

**18. OPERATING LEASE COMMITMENTS**

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 2 to 10 years.

At 31 December 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>2010</b> <i>HK\$’000</i>	2009 <i>HK\$’000</i>
Within one year	<b>1,773</b>	1,755
In the second to fifth years, inclusive	<b>2,210</b>	3,447
After five years	<b>88</b>	75
	<b>4,071</b>	5,277



## 19. OTHER COMMITMENTS AND EVENT AFTER THE REPORTING PERIOD

In addition to the operating lease commitments in note 18 above, the Group had the following commitments at the end of the reporting period:

- (a) Capital Commitment for investment in establishment and operation of an online education platform, video production platform, reward redemption platform and advertisement broadcasting platform of RMB30,000,000 (equivalent to approximate HK\$35,400,000).
- (b) On 7 January 2011, the Company entered into a sale and purchase agreement with Joy China Group Limited (“Joy China”) pursuant to which, the Company will acquire 100% equity interest in Full Smart Asia Limited at a consideration of HK\$228,000,000.

The acquisition constitutes a major transaction of the Company under the Listing Rules. At the date of approving this audited financial statements, the acquisition is still subject to, inter alia, the approval of the independent shareholders of the Company.

## 20. RELATED PARTY TRANSACTIONS

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

### The Group

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
New Era Group (China) Limited (note a)		
Rental paid	960	960
Rental deposit paid	160	160
New Era Foundation (China) Limited (note b)		
Rental paid	990	–
Rental deposit paid	177	170
博思夢想文化傳播有限公司 (Formerly: 博大偉業(北京)教育發展有限公司)		
Services fee (note c)	950	–
Deposit paid for establishment and operation of Online Platforms	<u>11,800</u>	<u>–</u>

### The Company

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
New Era Group (China) Limited (note a)		
Rental paid	960	960
Rental deposit paid	<u>160</u>	<u>160</u>

- (a) The Company entered into a tenancy agreement (the “Tenancy Agreement A”) with New Era Group (China) Limited (the “New Era”), a company of which Mr. Xiang Xin, a director of the Company, is also a director. Pursuant to the Tenancy Agreement A, the 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 22) in the statement of financial position.
- (b) On 1 December 2009, a subsidiary of the Company 博思夢想(中國)有限公司 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, is also a director. Pursuant to the Tenancy Agreement B, New Era China agreed to lease to 博思夢想(中國)有限公司 two office premises for a term of 36 months commencing on 1 January 2010, 博思夢想(中國)有限公司 shall pay a deposit of RMB150,000 (equivalent to approximately HK\$177,000) and a monthly rental of RMB71,000 to New Era China with no rent free period. The deposit was included in prepayments, deposits and other receivables (note 22) in the statement of financial position.
- (c) 博思夢想(中國)有限公司, a subsidiary of the Company, has paid services fee to 博思夢想文化傳播有限公司, a related company of which Ms.于蕾, is a common director of both companies in respect of its provision of human resources for assisting the daily operation of the business of 博思夢想(中國)有限公司.

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

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Short term employee benefits	653	677
Post-employment benefits	-	-
Equity-settled share option expenses	-	-
	<u>653</u>	<u>677</u>

## **DIVIDEND**

The Directors did not recommend a final dividend for the year ended 31 December 2010 (2009: 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 2010.

### **Financial Review**

During the year ended 31 December 2010, the Group recorded a revenue of approximately HK\$37,108,000 (2009: HK\$51,183,000), representing a decrease of 27.5%. The decrease in revenue was due to the fierce competition in the current business operations of the Group.

During the year ended 31 December 2010, the Group incurred a loss of approximately HK\$9,039,000 (2009: HK\$49,774,000) in which the loss attributable to the shareholders of the Company was approximately HK\$8,813,000 (2009: HK\$49,774,000). The loss was mainly due to the drop in the profit margin of the business operations and increase in administrative and other operating expenses.

### **Operational Review**

On 30 September 2009, the Company entered into a sale and purchase agreement with an independent third party to acquire the copyright of a film library (the "Copyright Acquisition") at a consideration of HK\$25,000,000. Trademarks under the Copyright Acquisition would be transferred to the Group from the vendor at nil consideration upon completion. The Copyright Acquisition was completed by late September 2010.

On 10 December 2009, the Company entered into a sale and purchase agreement with an independent third party (the "Vendor"), pursuant to which, the Group agreed to acquire the entire issued share capital of Nopo International Limited which is principally engaged as a product agent of a mobile location-based service provider in the PRC and as a sole franchised dealer in overseas markets according to a distribute agreement ("Nopo Acquisition"), at a consideration of HK\$19,493,000. An initial deposit of HK\$1,993,000 was paid on December 2009 and the remaining balance of the consideration in the amount of HK\$17,500,000 was paid by the Company by way of issuing 140,000,000 consideration shares at an issue price of HK\$0.125 per share when the Nopo Acquisition was completed on 22 January 2010.

On 15 June 2009, the Company entered into a sale and purchase agreement (supplemented by two deeds of transfer and novation dated 30 September 2009 and 1 December 2009 respectively) with Mr. Yu Shu Kuen ("Mr. Yu"), (i) to dispose the entire issued share capital of Ace Solution Technology Limited ("Ace Solution"); and (ii) the shareholder loans owed by Ace Solution to the Company, at a

consideration of HK\$1. The transaction constituted a very significant disposal for the Group under the GEM Listing Rules, and was completed on 5 February 2010. Ace Solution and its subsidiaries (the “Disposal Group”) are no longer subsidiaries of the Company. The results of the Disposal Group will no longer be combined into the Company’s consolidated accounts.

On 28 April 2010, the Company announced that it proposed to issue a total of 3,374,958,000 rights shares by way of rights issue at a subscription price of HK\$0.04 per rights share on the basis of four nil-paid rights shares for every existing share held to raise approximately HK\$135,000,000 (before expenses). The right issue was completed on 8 July 2010.

On 7 May 2010, the Company entered into a non-binding cooperative framework agreement with 深圳市諾普電子商務有限公司 (transliterated as Shenzhen Nopo Electronic Commerce Co., Ltd.) (“Nopo Electronic Commerce”), pursuant to which, the Company conditionally agreed to purchase the CEM bonus points redemption platform and the related assets with a capacity of 10 million subscribers from Nopo Electronic Commerce, at a consideration which is determined to be not more than HK\$50,000,000 for the time being. The consideration will be satisfied in cash, or by the issue of notes or loan notes, consideration shares, convertible bonds and/or other financial instruments by the Company at an issue price or conversion price of HK\$0.28 per share (subject to adjustment if the rights issue is completed). The actual method of payment is to be confirmed by the Company and Nopo Electronic Commerce through further negotiations. Later, given that the business features under the project cooperative agreement dated 9 November 2010 is sufficient to support the energy management contract business of the Group, the Board decided that the above cooperative framework agreement would not be proceeded.

On 14 May 2010, the Company entered into a non-binding cooperative framework agreement with Yu Tone Industrial Investment Limited (“Yu Tone Industrial”), pursuant to which, the Company conditionally agreed to acquire the entire equity interest in Yu Tone Industrial and to become its sole shareholder, with a condition precedent that Yu Tone Industrial will, after the completion of its restructuring, wholly own 廣東譽通置業有限公司 (transliterated as Guangdong Yu Tone Development Limited (“Guangdong Yu Tone”)), a company having more than 10,000 square meters of commercial ground floor and extensive operation and sales channels of electronic products in Guangzhou business district. The consideration will be satisfied in cash, or by the issue of notes or loan notes, consideration shares, convertible bonds and/or other financial instruments by the Company at an issue price or conversion price of HK\$0.28 per share (subject to adjustment if the rights issue is completed). The actual method of payment is to be confirmed by the Group and Yu Tone Industrial through further negotiations. Later, given that the business features under the project cooperative agreement dated 9 November 2010 is sufficient to support the energy management contract business of the Group, the Board decided that the above cooperative framework agreement would not be proceeded.

On 28 May 2010, the Company entered into a non-legally binding cooperative framework agreement with Joy China Group Limited (“Joy China”), pursuant to which, the Company agreed conditionally to purchase Joy China’s large volume advertising broadcasting platform making use of internet and 3C as the media and terminal and having a capacity of not less than 10 million subscribers. The consideration will be satisfied in cash, or by the issue of notes or loan notes, consideration shares, convertible bonds

and/or other financial instruments by the Company at an issue price or conversion price of HK\$0.28 per share (subject to adjustment if the rights issue is completed). The actual method of payment is to be confirmed by the Company and Joy China through further negotiations. Later, given that the business features under the project cooperative agreement dated 9 November 2010 is sufficient to support the energy management contract business of the Group, the Board decided that the above cooperative framework agreement would not be proceeded.

On 3 June 2010, the Company entered into a cooperative framework agreement with 博大偉業(北京)教育文化發展有限公司 (transliterated as Grand Business (Beijing) Educational and Cultural Development Company Limited (“Grand Business”)), whereby the Company and Grand Business will establish a cooperation relationship. Grand Business is in the process of establishing its multi-media education platform. It is responsible for promotion and publication, operation and investment promotion and allowing suitable working partners to form an alliance. The Group will provide energy-saving computers and project-related solutions to Grand Business to implement its multi-media education platform by mean of energy management contract. It is targeted to build 10,000 education platforms with the alliance partners within three years in the PRC.

On 7 June 2010, the Company and China Innovation Investment Limited (“China Innovation”, stock code: 1217.HK) jointly announced that 博思(中國)信息系統有限公司 (transliterated as Boss (China) Information Systems Limited (“Boss China”)), a subsidiary of the Company, 多達創新(中國)科技發展有限公司 (transliterated as Dooda Innovation (China) Technology Development Limited (“Dooda China”)) under the investment of China Innovation and 惠州TCL光源科技有限公司 (transliterated as Huizhou TCL Lighting Appliance Technology Limited (“Huizhou TCL”)) under TCL Group (A share code: 000100) entered into a strategic cooperative framework agreement. The three parties plan to establish a strategic cooperation for research and development, production and marketing of energy-saving LED products, in particular by mean of energy management contract, in order to achieve mutually reciprocal benefits and the sharing of resources.

On 8 June 2010, the Company and Industrial and Commercial Bank of China Limited Shenzhen Xinghe Branch (“ICBC”) entered into a cooperative framework agreement in order for it to provide the Group project financing on energy management contract business, including project loans and factoring services, and also provide the Group the guidance on project financing, rationalization of application and approval procedures.

On 17 June, 2010, the Company, New Times Global Investment Limited (“New Times Global Investment”) and 寧波陽光海灣發展有限公司 (transliterated as Ningbo Sunbay Development Co., Ltd. (“Ningbo Sunshine”)) entered into a cooperative framework agreement, whereby the three parties establish possible cooperation to develop the Sunbay Marina (Low Carbon Tourism) Project. The Group intends to extend its energy management contract business to the low-carbon tourism development.

On 22 June 2010, the Company and 北京惠利康高新技術有限責任公司 (transliterated as Beijing Hui Likang Hi-Tech Company Limited (“Beijing Hui Likang”)) entered into a cooperative framework agreement, whereby it is intended to build up 20,000 children wisdom groups in major cities in the PRC in order to further extend its business of energy management contract to children’s market.

On 29 June, 2010, the Company and China Innovation jointly announced that the Company, China Innovation and 中國東方數控公司 (transliterated as China Oriental Numerical Control Company Limited (“China Oriental Numerical Control”)), a subsidiary of CNIGC, entered into a cooperative letter of intent, whereby the three parties propose to establish cooperation for operation and marketing by mean of energy management contract in relation to the application of new energy numerical control system on solar electric vehicles.

On 12 July, 2010, the Company had, through Asian Capital (Corporate Finance) Limited (“Asian Capital”), informed the board of directors of C Y Foundation Group Limited (“C Y Foundation”, stock code: 1182.HK), that the Company is contemplating making the possible offer (“Possible Offer”), subject to the approval of the shareholders of the Company. Subsequently, C Y Foundation informed the Company that C Y Foundation intended to conduct fund raising exercise and the Company required C Y Foundation to provide the further details in respect of proposed fund raising accordingly. As of 7 September 2010, however, the directors of the Company noticed from various media publication that there might be certain possible regulatory issues relating to C Y Foundation and/or its certain directors/shareholders and the shares of C Y Foundation was suspended in trading since 31 August 2010. As such, the directors of the Company decided not to proceed with the Possible Offer.

On 9 November 2010, Protex (China) Systems Limited (currently renamed as Boss Dream (China) Limited), a subsidiary of the Company in the PRC entered into a project cooperative agreement with an independent third party to commence exclusive cooperation on the joint construction and operation of online education platform, video production platform, reward redemption platform and advertisement broadcasting platform.

On 29 December 2010, the Company entered into a cooperative framework agreement with two independent third parties to build the 10,000 education platforms with the alliance partners in mainland China for promoting the programs of Need Education Program Office.

The Group is in the process of running each of the above cooperate to extend the business of energy-saving applications and products and energy management contract business.

## **Prospect**

The Group is principally engaged in developing the energy-saving applications for digital products. The applications mainly make use of the energy management contract (CEM) and BOT mechanism which would ultimately apply to different sectors in the society. With the transfer of turnover from traditional products sales to CEM services, the Group believes the switch would enhance the earnings.

According to the CEM 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 three to five years. The Group will then realize its investment return and profit by sharing relevant percentage of the energy saving efficiency realised by the clients’ energy saving measures.

The Company’s directors and management will dedicate their best effort to lead the Group to strive for the best interests for its shareholders.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Liquidity, Financial Resources and Gearing**

The Group continued to finance its operation and capital expenditure through internally generated fund, and support certain product solutions development and business expansion. The Group maintained a healthy liquidity position with a current ratio of approximately 8.5 (2009: 1.5) and total cash and bank balances amounted to approximately HK\$111,503,000 (2009: HK\$6,764,000) with no pledged deposits placed in banks for securing any borrowings or banking facilities. As at 31 December 2010, the gearing ratio based on total liabilities over total assets was approximately 2.26% (2009: 5.53%).

### **Capital Structure and Fluctuation In Exchange**

Details in the changes of the capital structure of the Company during the year ended 31 December 2010 are set out in note 17 to this announcement. The capital of the Company comprised only ordinary shares as at 31 December 2010. 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 2010, 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.

### **Completion of Rights Issue**

The Company completed a rights issue on 8 July 2010 to raise approximately HK\$135,000,000 (before expenses) by issuing 3,374,958,000 rights share at a price of HK\$0.04 per rights share on the basis of four rights shares for every one existing share held by qualifying shareholders.

### **Employees**

As at 31 December 2010, there were a total of 21 (2009: 9) full-time staff employed by the Group. The staff costs including directors' remuneration for the year were approximately HK\$2,574,000 (2009: HK\$2,275,000). There was no equity-settled share option expenses (2009: 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 disposal of the Disposal Group (note 8 to the financial statements) completed on 5 February 2010, the acquisition of the copyright of a film library (note 10 to the financial statements completed by late September 2010, and the acquisition of the entire issued share capital of Nopo International Limited completed on 22 January 2010, 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 2010.

## **Proposed acquisition**

On 7 January 2011, the Company entered into a sale and purchase agreement (the “Agreement”) with Joy China Group Limited (the “Vendor”), pursuant to which, the Company will acquire 100% equity interest in Full Smart Asia Limited at a consideration of HK\$228,000,000.

The consideration shall be settled by the Company in the following manner: (a) HK\$11,400,000 already paid in cash to the Vendor within 14 business days from the date of signing of the Agreement as deposit; (b) HK\$113,740,000 shall be satisfied by issuing the convertible bonds to the Vendor at completion; and (iii) the HK\$102,860,000 shall be satisfied by issuing the promissory note to the Vendor at completion.

The acquisition constituted a major transaction on the part of the Company under the GEM Listing Rules and is subject to the approval of the shareholders at the forthcoming extraordinary general meeting of the Company.

## **Charge, Contingent Liabilities and Commitments**

As at 31 December 2010, the Group had commitments under operating lease amounting to approximately HK\$4,071,000 (2009: HK\$5,277,000) 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 other commitments at stated in note 19 to the financial statement in this announcement

## **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 year under review.

## **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. the Company has no fixed terms of appointment for non-executive directors, and
2. the Company had only two independent non-executive directors, the number of which fell below the minimum number required under Rules 5.05(1) and 5.28 of the GEM Listing Rules and the Company failed to meet the requirement set out in Rule 5.05(2) regarding qualification of the independent non-executive director having appropriate professional qualification or accounting or related financial management expertise during the period from 1 December 2010 to 30 January 2011.



The non-executive director and 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 in 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.

Following the appointment of Ms. An Jing as an independent non-executive director of the Company on 31 January 2011, the Company complied with the rules 5.05 and 5.28 of GEM Listing Rules accordingly.

## **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.

## **SCOPE OF WORK OF AUDITORS**

The figures in respect of the preliminary announcement of the results of the Group for the year ended 31 December 2010 have been agreed by the Company's auditors, Ascenda Cachet CPA Limited ("Cachet"), to the amounts set out in the consolidated financial statements of the Group for the year ended 31 December 2010 and Cachet would draw the attention of the shareholders of the Company that the previous auditors' report dated 23 March 2010 in respect of the consolidated financial statements of the Group for the year ended 31 December 2009 were disclaimed in view of scope limitations on the assets and liabilities, which had been fully impaired, and the results of a disposal group classified as held for sale.

Any adjustments found to be necessary may affect the comparative figures in respect of the gross assets and liabilities of the disposal group classified as held for sale as at 31 December 2009 and the results and cash flows and the related disclosures in the notes to the financial statements of the Group for the year ended 31 December 2009.

The work performed by Cachet in this respect did not constitute as assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Cachet on the preliminary announcement.

## **AUDIT COMMITTEE**

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

The Audit Committee examined the accounting principles and practices and practices adopted by the Company and discussed with the management its internal controls and accounts. The Audit Committee has reviewed the audited financial statements of the Company for the year ended 31 December 2010.

## **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, 28 March 2011

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

*This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on GEM website on the "Latest Company Announcements" page for at least 7 days from the date of its posting and the Company website at [www.8171.com.hk](http://www.8171.com.hk).*