



## **CHINA TRENDS HOLDINGS LIMITED**

**中國趨勢控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8171)

### **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012**

#### **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

- Reported a revenue of approximately HK\$133,539,000 for the six months ended 30 June 2012
- Reported a net profit after tax of approximately HK\$1,361,000 and a basic earnings per share attributable to owners of the Company of 0.02 HK cent for the six months ended 30 June 2012

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The board (the “Board”) of directors (the “Directors”) of China Trends Holdings Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (together, the “Group”) for the six months and the three months ended 30 June 2012, together with the unaudited comparative amounts for the corresponding periods in 2011, as follows:

		Six months ended 30 June		Three months ended 30 June	
	Notes	2012 HK\$'000 Unaudited	2011 HK\$'000 Unaudited	2012 HK\$'000 Unaudited	2011 HK\$'000 Unaudited
<b>REVENUE</b>	4	<b>133,539</b>	49,445	<b>34,054</b>	20,786
Cost of sales		<b>(128,484)</b>	(45,478)	<b>(33,225)</b>	(20,514)
Gross profit		<b>5,055</b>	3,967	<b>829</b>	272
Other income and gains	4	<b>285</b>	1,207	<b>197</b>	1,040
Administrative and other operating expenses		<b>(3,977)</b>	(4,015)	<b>(2,164)</b>	(2,085)
<b>PROFIT/(LOSS) BEFORE TAX</b>	5	<b>1,363</b>	1,159	<b>(1,138)</b>	(773)
Income tax expense	6	<b>—</b>	—	<b>—</b>	—
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>1,363</b>	1,159	<b>(1,138)</b>	(773)
Attributable to:					
Owners of the Company		<b>1,325</b>	1,133	<b>(1,140)</b>	(769)
Non-controlling interests		<b>38</b>	26	<b>2</b>	(4)
		<b>1,363</b>	1,159	<b>(1,138)</b>	(773)
<b>EARNINGS/(LOSS) PER SHARE</b>					
Basis and diluted	7	<b>0.02 cent</b>	0.02 cent	<b>(0.02) cent</b>	(0.01) cent

	Six months ended 30 June		Three months ended 30 June	
	2012 <i>HK\$'000</i> Unaudited	2011 <i>HK\$'000</i> Unaudited	2012 <i>HK\$'000</i> Unaudited	2011 <i>HK\$'000</i> Unaudited
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>1,363</b>	1,159	<b>(1,138)</b>	(773)
<b>OTHER COMPREHENSIVE INCOME:</b>				
Translation difference on translating foreign operations	(199)	843	(199)	337
<b>Other comprehensive income for the period, net of income tax</b>	<b>(199)</b>	843	<b>(199)</b>	337
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1,164</b>	2,002	<b>(1,337)</b>	(436)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

The unaudited consolidated statement of financial position as at 30 June 2012, together with the audited consolidated statement of financial position as at 31 December 2011, were as follows:

	<i>Notes</i>	<b>30 June 2012 HK\$'000 Unaudited</b>	31 December 2011 HK\$'000 Audited
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>2,801</b>	3,082
Available-for-sale investments		—	—
Intangible assets	8	<b>25,000</b>	25,000
Acquisition of an investment		<b>22,800</b>	22,800
		<b>50,601</b>	50,882
<b>CURRENT ASSETS</b>			
Inventories		<b>1,124</b>	1,137
Trade receivables		—	40,341
Prepayments, deposits and other receivables	9	<b>769</b>	36,744
Cash and bank balances	10	<b>94,999</b>	57,095
		<b>96,892</b>	135,317
<b>CURRENT LIABILITIES</b>			
Trade payables		—	1,598
Other payables and accruals		<b>487</b>	38,916
Tax payable		<b>157</b>	—
Amount due to a director		<b>4,607</b>	4,607
		<b>5,251</b>	45,121
<b>NET CURRENT ASSETS</b>		<b>91,641</b>	90,196
<b>NET ASSETS</b>		<b>142,242</b>	141,078
<b>CAPITAL AND RESERVES</b>			
<b>Equity attributable to owners of the Company</b>			
Share Capital	11	<b>66,350</b>	66,350
Equity component of convertible bonds		<b>391,534</b>	391,534
Reserves		<b>(317,151)</b>	(318,280)
		<b>140,733</b>	139,604
Non-controlling interests		<b>1,509</b>	1,474
<b>TOTAL EQUITY</b>		<b>142,242</b>	141,078

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Issued capital HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Equity component of convertible bonds HK\$'000	Special reserve HK\$'000 (Note (a))	Capital reserve HK\$'000 (Note (b))	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Subtotal HK\$'000	Non-Controlling interests HK\$'000	Total HK\$'000
At 1 January 2011	66,350	235,563	5,117	391,534	11,157	(1,638)	672	(69,297)	639,458	1,418	640,876
Total comprehensive income for the period	–	–	–	–	–	–	835	1,133	1,968	34	2,002
At 30 June 2011	66,350	235,563	5,117	391,534	11,157	(1,638)	1,507	(68,164)	641,426	1,452	642,878
At 1 January 2012	66,350	235,563	5,117	391,534	11,157	(1,638)	3,186	(571,665)	139,604	1,474	141,078
Profit for the period	–	–	–	–	–	–	–	1,325	1,325	38	1,363
Other comprehensive income	–	–	–	–	–	–	(196)	–	(196)	(3)	(199)
Total comprehensive income for the period	–	–	–	–	–	–	(196)	1,325	1,129	5	1,162
At 30 June 2012	66,350	235,563	5,117	391,534	11,157	(1,638)	2,990	(570,340)	140,733	1,509	142,242

### Notes:

- (a) Special reserve represents the difference between the nominal value of shares issued by the Company as consideration and the underlying net assets of the then subsidiaries acquired pursuant to the group reorganisation in relation to the listing of the shares of the Company on The Stock Exchange 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.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2012 <i>HK\$'000</i> Unaudited	2011 <i>HK\$'000</i> Unaudited
Net cash generated by/(used in) operating activities	37,904	(26,464)
Net cash used in investing activities	—	(11,586)
Net cash generated by financing activities	—	—
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	37,904	(38,050)
Cash and cash equivalents at the beginning of the period	57,095	111,503
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>94,999</u>	<u>73,453</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances ( <i>note 10</i> )	<u>94,999</u>	<u>73,453</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 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 is principally engaged in the trading of electronic technology and related products and developing the low-carbon energy-saving applications and solutions for digital products, which mainly make use of the energy performance contracting (EPC) and BOT mechanism.

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 condensed unaudited consolidated financial statements have been prepared in accordance with the applicable disclosure requirements to the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of The Stock Exchange (the “GEM Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

These condensed unaudited consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2011.

## 2.2 ACCOUNTING POLICIES

Adoption of new and revised Hong Kong Financial Reporting Standards In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2011. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.



### 3. SEGMENT INFORMATION

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

- (a) the trading of electronic technology and related products segment is involved in the trading of electronic technology and related products; and
- (b) energy-saving applications and solutions for digital products, which mainly make use of the energy performance contracting (EPC) and BOT mechanism.

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.

#### Period ended 30 June 2012

	<b>Trading of electronic technology and related products <i>HK\$'000</i></b>	<b>Energy- saving applications and solutions <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
Segment revenue:			
Sales to external customers	<b>133,539</b>	—	<b>133,539</b>
Segment results	<b>5,055</b>	—	<b>5,055</b>
Reconciliation:			
Other income and gains			<b>285</b>
Unallocated expenses			<b>(3,977)</b>
Profit before tax			<b>1,363</b>
Income tax expense			—
Profit for the period			<b>1,363</b>

Period ended 30 June 2011

	Trading of electronic technology and related products <i>HK\$'000</i>	Energy- saving applications and solutions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:			
Sales to external customers	49,445	—	49,445
Segment results	3,967	—	3,967
Reconciliation:			
Other income and gains			1,207
Unallocated expenses			(4,015)
Profit before tax			1,159
Income tax expense			—
Profit for the period			1,159

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

	Six months ended 30 June				Three months ended 30 June			
	2012		2011		2012		2011	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	Unaudited		Unaudited		Unaudited		Unaudited	
China	<u>133,539</u>	<u>100%</u>	<u>49,445</u>	<u>100%</u>	<u>34,054</u>	<u>100%</u>	<u>20,786</u>	<u>100%</u>

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

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

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

	Six months ended 30 June		Three months ended 30 June	
	2012 HK\$'000 Unaudited	2011 HK\$'000 Unaudited	2012 HK\$'000 Unaudited	2011 HK\$'000 Unaudited
<b>Revenue</b>				
Sales of goods	133,539	49,445	34,054	20,786
<b>Other income and gains</b>				
Others	285	1,207	197	1,040
	<b>133,824</b>	<b>50,652</b>	<b>34,251</b>	<b>21,826</b>

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

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

	Six months ended 30 June		Three months ended 30 June	
	2012 HK\$'000 Unaudited	2011 HK\$'000 Unaudited	2012 HK\$'000 Unaudited	2011 HK\$'000 Unaudited
Cost of sales	128,484	45,478	33,225	20,514
Auditors' remuneration	120	120	125	60
Depreciation	273	294	123	145
Employee benefits expense (including directors' remuneration)				
— wages and salaries	920	1,119	436	593
— pension scheme contributions	28	75	12	33
— others	76	63	52	44
	<b>1,024</b>	<b>1,257</b>	<b>500</b>	<b>670</b>
Minimum lease payments under operating lease in respect of land and buildings	<b>962</b>	<b>996</b>	<b>481</b>	<b>472</b>

## 6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil) as the Group did not generate any assessable profits in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the countries in which the Group operates, based on existing legislation interpretations and practices in respect thereof. No profits tax or income tax has been provided for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

## 7. EARNINGS/(LOSS) PER SHARE

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

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

	Six months ended		Three months ended	
	30 June		30 June	
	2012	2011	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>Unaudited</b>	Unaudited	<b>Unaudited</b>	Unaudited
Profit/(Loss) attributable to owners of the Company, used in the basic earnings/(loss) per share calculation	<u>1,325</u>	<u>1,133</u>	<u>(1,140)</u>	<u>(769)</u>

	Number of shares			
	Six months ended		Three months ended	
	30 June		30 June	
	2012	2011	2012	2011
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	<u>6,635,001,932</u>	<u>6,635,001,932</u>	<u>6,635,001,932</u>	<u>6,635,001,932</u>

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

## 8. INTANGIBLE ASSETS

	<b>Group Rights in sharing of profit streams from computer games competition operation in Internet cafes</b> <i>HK\$'000</i> <i>(note (a))</i>	<b>Copyright of a film library</b> <i>HK\$'000</i> <i>(note (b))</i>	<b>Right granted by a mobile location- based service provider</b> <i>HK\$'000</i> <i>(note (c))</i>	<b>Total</b> <i>HK\$'000</i>
<b>30 June 2012</b>				
Cost and net carrying amount	—	25,000	—	25,000
Net carrying amount	<u>—</u>	<u>25,000</u>	<u>—</u>	<u>25,000</u>
<b>31 December 2011</b>				
Cost	482,794	25,000	19,485	527,279
Accumulated amortisation and impairment	<u>(482,794)</u>	<u>—</u>	<u>(19,485)</u>	<u>(502,279)</u>
Net carrying amount	<u>—</u>	<u>25,000</u>	<u>—</u>	<u>25,000</u>

*Notes:*

- (a) The rights (the "C Y Rights") in sharing of profit streams (the "Profit Streams") from online network operation in internet cafes of approximately HK\$482,794,000 represents the C Y Rights arising from an co-operation agreement (the "C Y Co-operation Agreement") entered into between a subsidiary of the Company and C Y Foundation Group Limited. Pursuant to the C Y Co-operation Agreement, the Group is entitled to participate in the co-operation and share the Profits Streams for a period of 15 years.

During 2011, the execution of the C Y Co-operation Agreement was interrupted. Due to the unpredictability of future profit streams, an impairment loss of the C Y Rights of approximately HK\$482,794,000 was recognised in the consolidated financial statements for the year 2011.

- (b) Copyright of a film library (the "Copyright") represents the copyright of five series (a total of 320 episodes) and 16 education series of an animation named 神探威威貓 and the related music songs which was acquired during the last reporting period, with an indefinite useful lives at a consideration of HK\$25,000,000. The fair value of the Copyright has been assessed by the directors under the cost methodology. No impairment has been provided as the fair value less costs to sell is higher than its carrying amount at the end of the reporting period.

In determining the fair value less costs to sell, the directors had based on the assumptions that there will be no material change in existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of the Company.

- (c) The balance of HK\$19,485,000 represents 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.

During 2011, the execution of the project was interrupted. Due to the unpredictability of future profit streams, an impairment loss of the Agent Rights of approximately HK\$19,485,000 was recognised in the consolidated financial statements for the year 2011.

**9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	<b>30 June 2012 HK\$'000</b>	31 December 2011 HK\$'000
Prepayments	<b>328</b>	468
Rental deposit	<b>437</b>	429
Other receivables	<b>4</b>	8
Trade deposit	<b>—</b>	35,839
	<b>769</b>	36,744

**10. CASH AND BANK BALANCES**

	<b>30 June 2012 HK\$'000</b>	31 December 2011 HK\$'000
Cash and bank balances	<b>68,206</b>	26,729
Time deposits	<b>26,793</b>	30,366
	<b>94,999</b>	57,095

**11. SHARE CAPITAL**

	<b>30 June 2012 HK\$'000 Unaudited</b>	31 December 2011 HK\$'000 Audited
Authorised: 30,000,000,000 ordinary shares of HK\$0.01 each	<b>300,000</b>	300,000
Issued and fully paid: 6,635,001,932 (2011: 6,635,001,932) ordinary shares of HK\$0.01 each	<b>66,350</b>	66,350

## 12. SHARE OPTION SCHEME

Pursuant to a written resolution of all the shareholders of the Company passed on 16 July 2002, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentive to directors and eligible employees and, unless otherwise cancelled or amended, was expired on 30 July 2012. Under the Scheme, the directors of the Company may grant options to eligible employees, including executive directors of the Company, and any of its subsidiaries, to subscribe for shares of the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue, or if such 10% limit is refreshed, the maximum aggregate number of shares which may be issued upon the exercise of all outstanding options grant and yet to be exercised under the Scheme must not exceed 30% of the total number of shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then issue, without prior approval from the Company's shareholders. Each grant of options to any director, chief executive or substantial shareholder must be approved by independent non-executive directors. Where any grant of options to a substantial shareholder or any of their respective associates would result in the shares of the Company issued and to be issued upon exercise of options already granted and to be granted in excess of HK\$5,000,000 in the 12 month period up to the date of grant, then the grant must be approved in advance by the Company's shareholders.

A consideration of HK\$1 shall be paid to the Company upon acceptance of the grant. Options may be exercised in accordance with the terms of the Scheme at any time during a year to be determined and notified by the directors of the Company, which period may not expire earlier than 3 years and later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. The exercise price is determined by the directors of the Company, and will not be less than the higher of closing price of the Company's shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

On 9 April 2008, the Company granted a total of 40,000,000 share options to the directors and eligible employees under the Scheme of the Company. As at 30 June 2012, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 37,433,155, representing 0.56% of the shares of the Company in issue.



Details of the options granted under the Scheme and outstanding at 30 June 2012 are as follows:

Grantee	Date of grant	Exercise period	Outstanding at 1 January 2012	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2012	Exercise price per share HK\$ (Note vi)
<b>Directors</b>								
Xiang Xin	9 April 2008	9 April 2008 – 8 April 2013	14,973,262	–	–	–	14,973,262	0.0935
Zhang Zhan Liang	9 April 2008	9 April 2008 – 8 April 2013	7,486,631	–	–	–	7,486,631	0.0935
			<u>22,459,893</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>22,459,893</u>	
Employees	9 April 2008	9 April 2008 – 8 April 2013	14,973,262	–	–	–	14,973,262	0.0935
			<u>37,433,155</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>37,433,155</u>	

**Notes:**

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

Date of grant	9 April 2008
Expected volatility	97.99%
Expected life (year)	5
Risk-free interest rate	2.113%
Expected annual dividend yield	Nil
Fair value per option (HK\$)	0.18606

- ii. The volatility measured at the standard deviation of expected share price is based on statistical analysis of daily shares over the period of five years from the date immediately preceding the grant date. The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the share options and the historical volatility of the Company shares set out above.
- iii. The risk free rate is the yield of the 5-year Hong Kong Exchange Fund Notes as at the date of grant.
- iv. The closing market price per ordinary share of HK\$0.01 each of the Company immediately before the date on which the options were granted as quoted in the Hong Kong Stock Exchange’s daily quotation sheets was HK\$0.23.
- v. Following the completion of the Rights Issues on 8 July 2010, the number of the options was adjusted from 27,500,000 options to 82,352,941 options and the exercise price of the options was adjusted from HK\$0.28 per share option to HK\$0.0935 per share option.

No relevant share options had been exercised, cancelled or lapsed during the six months ended 30 June 2012.

### 13. OPERATING LEASES COMMITMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 2 to 5 years.

At 30 June 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2012 HK\$'000 Unaudited</b>	31 December 2011 HK\$'000 Audited
Within one year	2,414	2,345
In the second to fifth year, inclusive	2,832	3,542
	<b>5,246</b>	<b>5,887</b>

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

Save for the operating lease commitments detailed in note 13 to the condensed financial statements, at 30 June 2012, the Group and the Company had no other commitment.

### 15. RELATED PARTIES TRANSACTIONS

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

	<b>Six months ended 30 June</b>	
	<b>2012 HK\$'000 Unaudited</b>	2011 HK\$'000 Unaudited
New Era Group (China) Limited ( <i>note a</i> )		
Rental paid	480	480
Rental deposit paid	160	160
New Era Foundation (China) Limited ( <i>note b</i> )		
Rental paid	468	468
Rental deposit paid	180	180

*Notes:*

- (a) The Company entered into a tenancy agreement (the “Tenancy Agreement A”) with New Era Group (China) Limited (“New Era”), a company of which Mr. Xiang Xin, a director of the Company, is also a director. Pursuant to the Tenancy Agreement A, New Era agreed to lease to the Company an office premise for a term of 36 months commencing on 1 July 2008. On 1 January 2011, the Company agreed to renew and extend the terms of the Tenancy Agreement A with New Era for a term of three years commencing from 1 July 2011 and expiring on 30 June 2014. The Company shall pay a deposit of HK\$160,000 and a monthly rental of HK\$80,000 to New Era. The deposit was included in prepayments, deposits and other receivables (note 9) in the 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\$180,000) and a monthly rental of RMB71,000 to New Era China with no rental free period. The deposit was included in prepayments, deposits and other receivables (note 9) in the statement of financial position.

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

**16. CONTINGENT LIABILITIES**

The Group did not have any material contingent liabilities at the balance sheet date.

**17. INTERIM DIVIDENDS**

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

During the six months ended 30 June 2012, the Group recorded a revenue of approximately HK\$133,539,000 (six months ended 30 June 2011: HK\$49,445,000), representing an increase of 270%.

During the six months ended 30 June 2012, the Group reported a profit of approximately HK\$1,363,000 (six months ended 30 June 2011: a profit of HK\$1,159,000). The profit was mainly attributable to the increase of trading business.

### OPERATIONAL REVIEW

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

1. On 23 December 2011, the Company entered into a second supplemental agreement with Joy China Group Limited (“Joy China”), with effect from 1 January 2012, (i) the Company and Joy China have agreed to turn HK\$22,800,000 deposit paid by the Company into 20% of the sale share; and (ii) the Company reserve the right to acquire the remaining 80% of the group of Full Smart Asia Limited before 1 January 2015 by paying HK\$113,740,000 convertible bonds and HK\$91,460,000 promissory note to Joy China when the net asset value of group of Full Smart Asia Limited reach HK\$228,000,000.
2. On 17 February 2012, the Company decided to suspend acquiring the entire share capital of Beijing Need Education Technology Company Limited.
3. On 29 February 2012, a subsidiary of the Company, 博思夢想(中國)有限公司 (transliterated Boss (China) Systems Limited) (“Boss China”) entered into a cooperation framework agreement with 博思夢想文化傳播有限公司 (transliterated Boss Dream Cultural Communication Company Limited) (“Boss Cultural”) and 浙江聯億家科技有限公司 (transliterated Zhejiang Lianyijia Technology Limited). Cooperation to build one million “energy-saving media terminal” in PRC regions within ten years, to create national media terminal network and shopping terminal network.

4. On 9 March 2012, Boss China entered into a cooperation framework agreement with Boss Cultural and 北京烽火傳祥網絡科技有限公司 (transliterated Beijing Flame Chuanxiang Network Technology Limited). Cooperate to construct 10,000 military game theme of “Glorious Mission – National Defense Education Experience Centers” in PRC regions within five years. Boss China will equip not less than 100 high performance energy-saving all-in-one computers in each Experience Centre.
5. On 2 May 2012, Boss China entered into a cooperation agreement with Boss Cultural and Next Step China Management Company Limited. Cooperate to establish 10,000 “Satellite Lecture” (Education theaters) within 10 years in mainland China regions. It is agreed that each educational theaters equipped with satellite real-time teaching facilities and 100 units of energy-saving computer-on-demand equipment. Provide employment and entrepreneurship training to the whole society, and provide business support program to those who have passed the energy saving solutions and training.

## **PROSPECT**

The Group is principally engaged in trading of electronic technology and developing the low-carbon energy-saving applications and solutions for digital products. The applications and solutions mainly make use of the energy performance contracting (EPC) and BOT mechanism which would ultimately apply to different sectors in the society and different cities. With the transfer of turnover from traditional products sales to EPC services, the Group believes the switch would enhance the earnings.

According to the EPC business model, the commercial operating model provides a set of energy saving services, project financing, engineering construction, and related services to the clients in a contract of 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.

## **LIQUIDITY, FINANCIAL RESOURCES AND GEARING**

The Group continued to finance its operation and expenditure mainly through internally generated fund and the net proceeds from the Placing.

The Group maintained a healthy liquidity position with a current ratio of approximately 18.44 (30 June 2011: 5.13) and total cash and bank balances amounted to approximately HK\$94,999,000 (30 June 2011: HK\$73,453,000). As at 30 June 2012, the gearing ratio based on total debts over total equity was zero (30 June 2011: zero).

## **CAPITAL STRUCTURE AND FLUCTUATION IN EXCHANGE**

Details in the changes of the capital structure of the Company during the six months ended 30 June 2012 are set in note 11 to the condensed consolidated financial statements. The capital of the Group comprised only ordinary shares as at 30 June 2011.

The group has transactional currency exposures as the sales and purchases of the Group were mainly transacted in Renminbi (“RMB”) and Hong Kong dollar (“HKD”). As at 30 June 2012, substantial portion of the assets and liabilities of the Group were current in nature, and the amount were principally denominated in RMB and HKD. The group’s financial policies seek to control the foreign currency fluctuation risk of individual transactions. The management of the Group has been monitoring the exchange risk, and will consider hedging major foreign currency risk when required.

## **EMPLOYEES**

As at 30 June 2012, there was a total of 10 (30 June 2011: 12) staff employed by the Group. The staff costs, including directors’ remuneration, for the six months period ended 30 June 2012 were approximately HK\$1,024,000 (six months period ended 30 June 2011: HK\$1,257,000). The total amount comprised salaries, wages and allowance, medical and insurance coverage, pension fund scheme and discretionary bonus.

## **PROPOSED ACQUISITION**

Save for the acquisition of the remaining 80% of the group Full Smart Asia Limited as disclosed in point 1 in section “OPERATIONAL REVIEW” above, during the period under review, the Group did not have any significant investment or material acquisitions.

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

As at 30 June 2012, the interests and short positions of the Directors or chief executives and their associates in the shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### (I) INTEREST IN ISSUED SHARES

Name	Nature of interest	Number of Share held	Approximately percentage of interests
Xiang Xin ( <i>note 2</i> )	Interest of controlled corporation	1,650,914,973 (L)	24.88%

### (II) INTEREST IN THE UNDERLYING SHARES OF THE COMPANY – SHARE OPTIONS

Name	Date of grant	Exercisable period	Nature of interest	Exercise price per Share (HK\$)	Number of underlying Shares for Share Options	Approximately percentage of interests
Xiang Xin	9 April 2008	9 April 2008 to 8 April 2013	Beneficial owner	0.0935	14,973,262 (L)	0.23%
Zhang Zhan Liang	9 April 2008	9 April 2008 to 8 April 2013	Beneficial owner	0.0935	7,486,631 (L)	0.11%

**(III) INTEREST IN THE UNDERLYING SHARES OF THE COMPANY – CONVERTIBLE BONDS**

<b>Name</b>	<b>Nature of interest</b>	<b>Number of underlying Shares for Convertible Bonds</b>	<b>Approximately percentage of interests</b>
Xiang Xin ( <i>note 2</i> )	Interest of controlled corporation	3,827,193,135 (L)	57.68%

*Notes:*

1. The letter “L” denotes the long position in the Shares.
2. The Shares and the underlying Shares of the Company are held by Honour Sky International Limited and Mr. Xiang Xin is the sole director of the company and Mr. Xiang and his family member(s) are the ultimate beneficiaries of such company.

Save as disclosed above, as at 30 June 2012, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares or underlying Shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.



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

As at 30 June 2012, according to the register kept by the Company pursuant to section 336 of SFO, and so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any member of the Company:

### (I) INTEREST IN ISSUED SHARES

Name	Nature of interest	Number of Shares held	Approximately percentage of interests (note 8)
Honour Sky International Limited	Beneficial owner	1,650,914,973 (L)	24.88%
New Times Global Capital Inc. (note 2)	Interest of controlled corporation	1,650,914,973 (L)	24.88%
Kung Ching (note 2)	Interest of controlled corporation	1,650,914,973 (L)	24.88%
Morgan Strategic Limited	Beneficial owner	1,236,032,432 (L)	18.63%
Top Ten International s.a r.l. (note 3)	Interest of controlled corporation	1,236,032,432 (L)	18.63%
Chen Darren (note 3)	Interest of controlled corporation	1,236,032,432 (L)	18.63%
Tao Xue Juan (note 4)	Interest of controlled corporation	1,236,032,432 (L)	18.63%
Ocean Space Development Limited	Beneficial owner	141,564,000 (L)	2.13%
Zhang Shao Cai (note 5)	Interest of controlled corporation	141,564,000 (L)	2.13%

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

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

*Notes:*

1. The letter “L” denotes the long position in the Shares.
2. Honour Sky International Limited is a private company wholly and beneficially owned by New Times Global Capital Inc. Accordingly, New Times Global Capital Inc. is interested in the Shares and the underlying Shares of the Company held by Honour Sky International Limited. Ms. Kung Ching, the spouse of Mr. Xiang Xin, owns 50% share of New Times Global Capital Inc. and is also the director of New Times Global Capital Inc. and is taken to be interested in the Shares and underlying Shares of the Company held by Honour Sky International Limited.
3. Morgan Strategic Limited is a private company 40% owned by Top Ten International s.a r.l. (“Top Ten”) and Top Ten is a private company wholly and beneficially owned by Mr. Chen Darren. Accordingly, Top Ten and Mr. Chen Darren are interested in the Shares of the Company held by Morgan Strategic Limited.
4. Morgan Strategic Limited is a private company 60% owned by Ms. Tao Xue Juan. Accordingly, Ms. Tao Xue Juan is interested in the Shares of the Company held by Morgan Strategic Limited.
5. Ocean Space Development Limited, a company incorporated in the British Virgin Islands, is a private company wholly and beneficially owned by Mr. Zhang Shao Cai. Accordingly, Mr. Zhang Shao Cai is interested in the Shares and the underlying Shares of the Company held by Ocean Space Development Limited.
6. The underlying Shares of the Company are held by China Technology Education Trust Association (the “Association”), a society registered under the provisions of section 5A(1) of the Societies Ordinance in 2005, which is a charitable society providing charity and financial aid to education and employment in Hong Kong and Mainland China. Mr. Xiang Xin is a council member of the Association.
7. As disclose in point 1 in section “OPERATIONAL REVIEW” on page 20, part of the consideration of the proposed acquisition shall be settled by the Company in convertible bonds which may convert into 2,843,500,000 new shares if exercise in full. Mr. Ding Yi Ning is the ultimate beneficiary of Joy China Group Limited. The completion of acquisition remains subject to the fulfillment of the conditions, and subject to the approval of the independent shareholders of the Company.
8. The approximately percentage of interests in the Company is calculated on the basis of 6,635,001,932 Shares in issue as at 30 June 2012.

Save as disclosed above, as at 30 June 2012, no person, other than the directors and chief executive of the Company, whose interests are set out in the section “Directors’ and chief executive’s interests and short positions in Shares and underlying Shares” above, had registered an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## **DIRECTORS’ RIGHTS TO ACQUIRE SHARES**

Save as disclosed in the above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the period under review.

## **COMPETING INTERESTS**

None of the Directors or the management shareholders of the Company or their respective associates as defined in the GEM Listing Rules had any interest in business that competed or might compete with business of the Group during the period under review.

## **SHARE OPTION SCHEME**

Details of the share option scheme of the Company are set out in note 12 to the condensed consolidated financial statements.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the period under review.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

During the period under review, the Company had complied with the requirements of the code provisions set out in the Code on Corporate Governance Practices (“CG Code”) contained in Appendix 15 of the GEM Listing Rules, except that:

1. Mr. Xiang Xin is the Chairman of the Board and the Chief Executive Officer of the Company. Such practice deviates from code provision A.2.1 of the CG Code which requires that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. After evaluation of the current situation of the Company and taking into account of the experience and past performance of Mr. Xiang, the Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Mr. Xiang to hold both positions as the chairman and the chief executive officer of the Company as it helps to maintain the continuity of the policies and the stability of the operations of the Company.
2. The Company has no fixed terms of appointment for non-executive Directors. Independent non-executive Directors are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the relevant provision under the Articles of Association of the Company. Such practice deviates from the provision A.4.1 of the CG Code which requires that non-executive Directors be appointed for a specific term. The Board has discussed and concluded the current practice of appointing independent non-executive Directors without specific terms but otherwise subject to rotation and re-election by shareholders was fair and reasonable, and does not intend to change the current practice at the moment.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company’s total issued share capital was held by the public as at the date of this announcement.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors. All Directors confirmed that they complied with the required standards as set out in the Rules 5.48 to 5.67 of the GEM Listing Rules throughout the period under review.

## **AUDIT COMMITTEE**

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

The Group’s unaudited consolidated results for the six months ended 30 June 2012 have been reviewed by the Committee, which was of the opinion that such results have complied with the applicable accounting standards and that adequate disclosures have been made.

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

Hong Kong, 8 August 2012

*As at the date of this announcement, the executive Directors are Mr. Xiang Xin, Mr. Liang Xiaojin and Mr. Chen Banyan; and the independent non-executive Directors are Mr. Zhang Zhan Liang, Ms. An Jing and Mr. Chen Yicheng.*

*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).*