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**CHINA TRENDS HOLDINGS LIMITED**

**中國趨勢控股有限公司**

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

(Stock Code: 8171)

**THE BANK ACCOUNT OF A PRC SUBSIDIARY OF THE COMPANY BEING  
FROZEN  
AND  
APPOINTMENT OF LEGAL ADVISER TO STUDY RIGHT PROTECTION  
MEASURE  
AND  
RESUMPTION OF TRADING**

On 7 November 2012, the Company was informed by Boss China, a subsidiary of the Company established in the Beijing, PRC that Boss China was told by the relevant bank that its bank account was frozen by Zhenjiang New District Public Security Bureau in Jiangsu Province, the PRC. The funds being frozen in the bank account amount to an aggregate of approximately RMB49 million (equivalent to approximately HK\$61 million). Boss China has appointed its PRC legal adviser to study to take appropriate steps to protect its rights.

As a result of the bank account of Boss China being frozen at the moment, it causes a material adverse impact on the liquidity of Boss China and also funds available to Boss China to carry out its business operations, which in turn results the suspension of business operations of Boss China.

Further announcement(s) will be made by the Company as and when appropriate when there is any material development of the case.

This announcement is made by the Company in compliance with Rule 17.10 of the GEM Listing Rules.

### **Background of Boss China**

Boss China is a company established in Beijing, the PRC and is a 99% owned subsidiary of the Company. Boss China has a registered capital of RMB200,000,000 and a total investment of RMB400,000,000. Boss China is principally engaged in promote application solutions of energy saving in digital products.

### **The bank account of Boss China being frozen**

On 7 November 2012, the Company was informed by Boss China that when Boss China proposed to pay staff salaries, Boss China was told by the relevant bank that its bank account was frozen by Zhenjiang New District Public Security Bureau in Jiangsu Province, the PRC. The funds being frozen in the bank account amount to an aggregate of approximately RMB49 million (equivalent to approximately HK\$61 million). As at the date of the announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Boss China has not received any formal written notice from Zhenjiang New District Public Security Bureau. According to the PRC legal advisers appointed by Boss China, Zhenjiang New District Public Security Bureau currently is not obligated to inform Boss China the reason of bank account frozen.

### **Relevant background of the event and steps taken by Boss China**

While neither Zhenjiang New District Public Security Bureau nor the bank had issued any formal notice to inform Boss China the reason for freezing its bank account. As Boss China only had trade relationship with Fujieda company in Zhenjiang New District, the Board has reasonable grounds to believe that the bank account of Boss China was being frozen because of the transactions between Fujieda company and Boss China. Through informal communications, the Board understands that there was suspicion that false VAT invoices were involved but as Boss China has not received any formal notice from Zhenjiang New District Public Security Bureau yet, the Company is not able to provide further details at this stage and is uncertain which party is suspected involved in issuing such false VAT invoices. Boss China has appointed its PRC legal advisers to strive for the relevant documents from Zhenjiang New District Public Security Bureau and will consider to take appropriate steps to protect its rights.

To the best of the Directors' knowledge and information, Fujieda company is a electrolytic copper foil manufacturing enterprise, which is a Sino-foreign joint venture set up by Zhenjiang New District Economic Development Corporation (a state-owned enterprises) and Takenaka Industry Company Limited (Hong Kong) ("**Takenaka**") in or around 2006 in Zhengjiang New District, Jiangsu Province, the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Fujieda company and Takenaka and their respective ultimate beneficial owners are Independent Third Parties.

Boss China traded with Fujieda company in the year ended 31 December 2011 only. Boss China is a supplier of Fujieda company involving sales of goods such as electronic copper foil and copper wires to Fujieda. Set out below are the relevant records of transactions in which Boss China sold goods to Fujieda company for the year ended 31 December 2011:

**The sales contracts between Boss China and Fujieda company in year 2011**

<b>N o.</b>	<b>Sales Contract No.</b>	<b>Sales Amount (RMB)</b>	<b>Sales Tax (RMB)</b>	<b>Invoice amount (RMB)</b>	<b>Value added tax (RMB)</b>	<b>Invoice no.</b>	<b>Billing date</b>
1	BSZG2011 0131	17,555,555.29	2,984,444.71	20,540,000.00	39,216.21	10138876-10138900; 01228776-01228800; 01465051-01465180	2011-2-23 ; 2011-3-21 ; 2011-3-24
2	11012701	3,661,847.86	622,514.27	4,284,362.13	41,832.38	01465181-01465200; 10667901-10667917	2011-4-8 ; 2011-4-11
3	11021601	2,589,205.75	440,164.91	3,029,370.66	11,571.95	01513937-01513950; 01908826-01908837	2011-5-11 ; 2011-5-12
4	11022001	3,875,399.64	658,818.04	4,534,217.68	17,320.51	01908838-01908850; 07456751-07456775; 08018947	2011-6-3 ; 2011-6-15 ; 2011-7-22
5	11021602	5,139,254.05	873,673.20	6,012,927.25	22,969.04	08018927-08018932	2011-7-22
6	11030401	3,749,352.55	637,389.92	4,386,742.47	16,757.07	08018933-08018936	2011-7-22
7	11031501	5,985,255.34	1,017,493.43	7,002,748.77	26,750.07	08018937-08018942	2011-7-22
8	11040301	3,748,355.01	637,220.33	4,385,575.34	16,752.60	08018943-08018946	2011-7-22
9	11060101	5,241,987.22	891,137.83	6,133,125.05	74,035.53	08018948-08018950; 02889551-02889553	2011-10-18; 2011-10-20
Total		51,546,212.71	8,762,856.64	60,309,069.35	267,205.36		

For those transactions listed above, Boss China issued those VAT invoices. Boss China has provided the aforesaid documents, including but not limited to the relevant sales contracts, VAT invoices and bills, to its PRC legal advisers. Boss China performed self verification based on the Provision under the guidance of its PRC legal advisers and the following are the verification results:

- 1) It is required that the issued VAT invoices should match with the actual transactions. There were sale and purchase contracts to govern the transactions between Boss China and Fujieda company and VAT invoices match with the actual transactions;
- 2) It is required under the Provision that the VAT invoices should be legible and in correct format. After verification, the relevant VAT invoices are legible with correct format, have complete invoice number;
- 3) The Provision requires the VAT invoice copy affixed with the financial seal or invoice stamp and those issued VAT invoices from Boss China to Fujieda company were all

affixed with required seal or stamp;

- 4) The Provision requires the relevant VAT to be paid on time. Boss China confirmed that all VAT has been paid on time in accordance with the requirements of the Provision.

The above verification results indicate that Boss China complies with the Provision and based on the verification results, Boss China believes that it did not issue any false VAT invoices. Nevertheless, Boss China has not yet received from Zhenjiang New District Public Security Bureau the formal notice in respect of the freezing of its bank account. As such, the Company has not yet known the actual reason of the freezing of the bank accounts of Boss China. Boss China has appointed its PRC legal advisers to request for the relevant documents from Zhenjiang New District Public Security Bureau and will consider to take appropriate steps to protect its rights. As at the date of this announcement, the PRC legal advisers has not yet received the relevant documents from Zhenjiang New District Public Security Bureau though the Company will closely liaise with the PRC legal advisers on the status of obtaining such documents.

The Directors (including all independent non-executive Directors) consider that the above verification results indicate that Boss China currently would not be involve in issuing false VAT invoices. Despite the aforesaid, the Company will continue to closely monitor the case and will issue further announcement(s) when and appropriate upon any further material development of the case.

### **Implications of the event to the Group as a whole**

The Group is principally engaged in trading of electronic technology and related products and the low-carbon energy-saving applications for digital products.

Boss China is one of the major subsidiaries of the Company. According to the third quarter results of the Group for the nine months ended 30 September 2012, the total assets value of Boss China accounted for approximately 44.08% of the total assets of the Group whereas the profits of Boss China accounted for approximately 91.66% of the total profits of the Group. According to the Company's Annual Report for the year ended 31 December 2011, Boss China's revenue accounted for approximately 81% of the total revenue of the Group for the year ended 31 December 2011. Set out below are the corresponding figures of Boss China in comparison with the total figures of the Group for the last three financial years:

Year	Boss China's assets as a percentage of the total assets of the Group	Boss China's revenue as a percentage of the total revenue of the Group
2009	0.14%	0%
2010	40.58	9.53
2011	45.40%	81%

As shown in the financial statements of the Group in the annual reports of the Company for the financial years ended 31 December 2009, 2010 and 2011, the business of Boss China has gradually grew in the last few years and constitutes a substantial proportion of the business of the Group as a whole whereas the business size of the Group in Hong Kong has gradually reduced in recent years.

As a result of the bank account of Boss China being frozen at the moment, it causes a material adverse impact on the liquidity of Boss China and also funds available to Boss China to carry out its business operations, which in turn results the suspension of business operations of Boss China.

Based on its management accounts, as at 11 November 2012, the Group has a total cash and bank balance of approximately HK\$85 million (including approximately HK\$61 million bank balances in the bank account of Boss China). Despite that the bank account of Boss China being frozen, the Group (excluding Boss China) still has cash and bank balances of approximately over HK24 million based on its management accounts as at 11 November 2012. Accordingly, the Board considers that the event will not have material adverse impact on the liquidity of the Group as a whole. After taking into account the annual budget of the expenditure of the Group (excluding Boss China) of approximately HK\$5.3 million per annum, the Directors (including the independent non-executive Directors) are of the opinion that notwithstanding that the bank account of Boss China being frozen, the Group will still have sufficient working capital for its present requirements, i.e. for at least twelve months from the date of this announcement, in the absence of unforeseeable circumstances.

Given that the business of Boss China constituting a substantial portion of the businesses of the Group, the current suspension of the business operations of Boss China will have significant adverse impact on existing business of the Company. The revenue, earnings and profits of the Group may be reduced substantially if the business of Boss China cannot be restored within a reasonable short period.

The Board further confirms that all other subsidiaries of the Group are carrying out their business operations as usual and the Board does not contemplate that the event will have any

impact to the other members of the Group. As at the date of this announcement, another major subsidiary of the Group is China Trends Technologies Limited, which is a wholly owned subsidiary of the Company incorporated in Hong Kong and is principally engaged in trading of electronic technology and related products in Hong Kong. Based on the management accounts of the Group, China Trends Technologies Limited recorded revenue of approximately HK\$12 million and profits of approximately HK\$345,000 for the ten months ended 30 October 2012 and had a total asset value of approximately HK\$8.9 million as at 30 October 2012. In light of such performance of China Trends Technologies Limited together with other investments held by the Group, the Directors further consider that the Group will continue to have sufficient operations under Rule 17.26 of the GEM Listing Rules.

The Board is currently considering to re-expand the business of the Group in Hong Kong in order to in order to reduce the impact of business suspension from Boss China to the Group.

Shareholders and potential investors are advised to exercise caution in dealing with the securities of the Company.

## **GENERAL**

Save as disclosed above, the Board confirms that there are no negotiations or agreements relating to intended acquisitions or realisation which are discloseable under Chapters 19 and 20 of the GEM Listing Rules, neither is the Board aware of any other matter discloseable under the general obligation imposed by Rule 17.10 of the GEM Listing Rules, which is or may be of a price-sensitive nature.

Further announcement(s) will be made by the Company as and when appropriate when there is any material development of the case.

This announcement is made by the order of the Board, the Directors of which individually and jointly accept responsibility for the accuracy of this announcement.

## **RESUMPTION OF TRADING**

Trading in Shares on the Stock Exchange has been suspended at the request of the Company with effect from 11:30 a.m. on 7 November 2012 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 22 November 2012.

## DEFINITIONS

Unless the context requires otherwise, the following terms have the following meanings in this announcement:

“associates”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	board of the Directors
“Boss China”	Boss Dream (China) Company Limited, a 99% owned subsidiary of the Company
“Company”	China Trends Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Directors”	directors of the Company
“Fujieda company”	Fujieda Copper Foil Company Limited, a company established in the PRC
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons of the Company in accordance with the GEM Listing Rules



“PRC”	The People’s Republic of China
“Provision”	Use of Value Added Tax Invoice Provision (《增值稅專用發票使用規定》) issued by the relevant PRC tax authority
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VAT”	Value-Added Tax
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 21 November 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 and Ms. An Jing and Mr. Chen Yicheng; Ms. Kung Ching is alternate director to Mr. Xiang Xin.*

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

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