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CHINA TRENDS HOLDINGS LIMITED

中國趨勢控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8171)

**MAJOR TRANSACTION
RELATING TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL
OF FULL SMART ASIA LIMITED**

THE SALE AND PURCHASE AGREEMENT

On 7 January 2011, the Company, entered into the Sale and Purchase Agreement with the Vendor pursuant to which the Company has agreed to acquire and the Vendor has agreed to sell the Sale Share for a total consideration of HK\$228,000,000.

The total consideration for the Sale Share is HK\$228,000,000 and shall be settled by the Company in the following manner: (a) HK\$11,400,000 shall be payable in cash by the Company to the Vendor within 14 Business Days from the date of signing of the Sale and Purchase Agreement as Deposit; (b) HK\$113,740,000 shall be satisfied by the Company issuing the Convertible Bonds to the Vendor at Completion; and (iii) the balance of HK\$102,860,000 shall be satisfied by the Company issuing the Promissory Note to the Vendor at Completion.

GENERAL

As the applicable percentage ratios in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and will be subject to the approval of the Shareholders at the EGM.

As it is expected that it will take at least weeks for the Company to obtain the accountants' reports on the Target Company and the valuation report on the Target Group, the circular containing further details in respect of, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder, the notice of the EGM and other information as required under the GEM Listing Rules, will be despatched to the Shareholders on or before 7 March 2011.

THE SALE AND PURCHASE AGREEMENT

Date: 7 January 2011

Parties: (1) Purchaser : China Trends Holdings Limited

(2) Vendor : Joy China Group Limited

(3) Guarantor : Mr. Ding Yi Ning, who guarantees in favour of the Company the due and punctual performance of the Vendor under the Sale and Purchase Agreement

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

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Company has agreed to acquire and the Vendor has agreed to sell the Sale Share, representing the entire issued share capital of the Target as at the date of this announcement.

Consideration

The Consideration for the sale and purchase of the Sale Share is HK\$228,000,000, which shall be satisfied in the following manner:—

- (a) HK\$11,400,000 shall be payable in cash by the Company to the Vendor within 14 Business Days from the date of signing of the Sale and Purchase Agreement as interest-free refundable deposit (the "**Deposit**");

- (b) HK\$113,740,000 shall be satisfied by the Company issuing the Convertible Bonds to the Vendor at Completion; and
- (c) the balance of HK\$102,860,000 shall be satisfied by the Company issuing the Promissory Note at Completion.

The Consideration for the Sale Share was agreed between the Vendor and the Company after arm's length negotiations taking into account that the Sale and Purchase Agreement is conditional upon the valuation to be conducted by the independent valuer to be appointed by the Company not being less than HK\$228,000,000. As such, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Acquisition to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

In the event that Completion does not take place as a result of the sole default of the Company, the Vendor shall be entitled to retain the Deposit. In the event that Completion does not take place otherwise than as a result of the sole default of the Company, the Vendor shall forthwith refund to the Company the Deposit, without interest.

Conditions precedent

Completion shall be conditional upon and subject to:

- (a) all approvals, consents, authorisations and licenses (so far as necessary) required to be obtained on the part of the Vendor or the Guarantor relation to the transactions contemplated under the Sale and Purchase Agreement having been obtained;
- (b) all approvals, consents, authorisations and licenses (so far as necessary) required to be obtained on the part of the Company in relation to the transactions contemplated under the Sale and Purchase Agreement having been obtained;
- (c) the warranties provided by the Vendor under the Sale and Purchase Agreement remaining true and accurate in all respects;
- (d) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Conversion Shares;
- (e) the passing by the Shareholders at the EGM to be convened and held of an ordinary resolution to approve the Sale and Purchase Agreement and the transactions contemplated hereunder, including (i)

the issue of the Convertible Bonds; and (ii) the allotment and issue of the Conversion Shares;

- (f) the obtaining of a PRC legal opinion (in form and substance satisfactory to the Company) from a firm of PRC legal advisers appointed by the Company in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (g) the Company being satisfied with the results of the appropriate due diligence review to be conducted on the assets, liabilities, operations and affairs of the Target Group; and
- (h) the obtaining of a valuation report (in form and substance satisfactory to the Company) from an independent valuer appointed by the Company showing the valuation of the Target Group to be not less than HK\$228,000,000.

Conditions (c), (f) and (g) are waivable by the Company under the Sale and Purchase Agreement. The Company has no intention to waive such conditions. (If the conditions have not been fulfilled (or as the case may be, waived by the Company) on or before 29 July 2011, or such later date as the Vendor and the Company may agree, the Vendor shall forthwith refund the Deposit, without interest, to the Company and the Sale and Purchase Agreement shall cease and terminate, and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Completion

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

Upon Completion, the Target will become a direct wholly-owned subsidiary of the Company.

There is no current intention for the Vendor to nominate any Director to the Board.

TERMS OF CONVERTIBLE BONDS

The terms of the Convertible Bonds have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer

The Company

Principal amount

HK\$113,740,000

Interest

The Convertible Bonds carry no interest.

Maturity

The maturity date of the Convertible Bonds shall be on the date falling on the fifth anniversary of the date of issue of the Convertible Bonds. Unless previously converted or cancelled as provided in terms and conditions of the Convertible Bonds, any amount of the Convertible Bonds which remain outstanding on the Maturity Date shall be redeemed by the Company at the outstanding principal amount.

Conversion

Provided that (i) any conversion of the Convertible Bonds do not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Bondholder which exercised the conversion rights, whether or not such mandatory offer obligation is triggered off by the fact that the number of Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds (if applicable, including any Shares acquired by the parties acting in concert with the Bondholder(s)) represents more than 30% (or such other percentage as stated in Rule 26 of the Takeovers Code in effect from time to time) of the then issued ordinary share capital of the Company or otherwise pursuant to other provisions of the Takeovers Code, (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the GEM Listing Rules) of the issued Shares of the Company at any one time in compliance with the GEM Listing Rules and (iii) the average closing price of the Shares as quoted on the Stock Exchange for the ten business days immediately preceding the Conversion Date should not be less than HK\$0.10, the Bondholder may convert in whole or part (in multiples of HK\$10,000,000 or if the aggregate outstanding principal amount is less than HK\$10,000,000, the entire outstanding amount of the Convertible Bond) of the principal amount of the Convertible Bonds into the Conversion Shares at the Conversion Price for the period commencing the date of issue of the Convertible Bonds up to the Maturity Date.

Conversion Price

The conversion price for each Share under the Convertible Bonds was HK\$0.04 (subject to adjustment).

The adjustments for Conversion Price include the following:

- (a) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;
- (b) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
- (c) a capital distribution being made by the Company, whether on a reduction of capital or otherwise, to Shareholders (in their capacity as such) or a grant by the Company to Shareholders (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries;
- (d) an offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe new Shares being made by the Company to Shareholders (in their capacity as such);
- (e) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares and the total effective consideration per Share receivable for such securities is less than 80% of the market price on the date of announcement of the terms of the issue of such securities; and
- (f) an issue of Shares wholly for cash at a price per Share which is less than 80% of the market price on the date of announcement of the terms of such issue.

The Company will issue an announcement when there is any adjustment to the Conversion Price and the adjustment will be certified by the Company's auditor or by the merchant bank.

The Conversion Price represents (i) a premium of approximately 11.11% over the closing price of HK\$0.036 per Share as quoted on the Stock Exchange on 7 January 2011, being the date of the Sale and Purchase Agreement; (ii) a premium of approximately 8.11% over the average of the closing prices of approximately HK\$0.037 per Share for the last five consecutive trading days up to and including 7 January 2011, being the date of the Sale and Purchase Agreement; and (iii) a discount of approximately 48.00% to the net asset value per Share of HK\$0.077 based on the unaudited net asset value of the Group as at 30 June 2010 and 6,635,001,932 Shares in issue as at the date of this announcement.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Vendor with reference to various factors including the closing prices of the Shares as set out above and the duration of the Convertible Bond. The Directors (including the independent non-executive Directors) consider that the Conversion Price is fair and reasonable.

Conversion Shares

Assuming there is an immediate exercise in full of the conversion rights attaching to the Convertible Bonds at the Conversion Price by the Bondholder, the Company will issue an aggregate of 2,843,500,000 new Shares, representing (i) approximately 42.86% of the existing issued share capital of the Company; and (ii) approximately 29.99% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares. The Conversion Shares will be issued pursuant to the specific mandate to be sought at the EGM.

Ranking

The Conversion Shares, when allotted and issued, will rank pari passu in all respects with all existing Shares in issue at the date of the allotment and issue of the Conversion Shares.

Status of the Convertible Bonds

The Convertible Bonds constitute a direct, general, unconditional and unsecured obligation of the Company and rank pari passu and rateably without preference (with the exception of obligations in respect of taxes) equally with all other present and/or future unsecured and unsubordinated obligations of the Company.

Transferability

The Bondholder may only assign or transfer the Convertible Bonds to the transferee subject to the prior consent of the Company.

Lockup period for the Conversion Shares

The Conversion Shares may not, within the period commencing on the date of the allotment and issue of such Conversion Shares and ending on the date falling six months after such date, be transfer or otherwise dispose of or create any encumbrance or other rights in respect of such Conversion Shares or any interests therein in respect of such Conversion Shares.

Voting rights

The Convertible Bonds does not confer any voting rights at any meetings of the Company.

Application for listing

No application will be made by the Company for the listing of the Convertible Bonds. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares assuming full conversion of the Convertible Bond.

CHANGE IN SHAREHOLDING STRUCTURE ARISING FROM THE ACQUISITION

The following table sets out the shareholding structures of the Company (i) as at the date of this announcement and before Completion; and (ii) immediately after Completion and the allotment and issue of the Conversion Shares:

Shareholders	As at the date of this announcement		Immediately after completion the allotment and issue of the Conversion Shares	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Honour Sky International Limited (<i>Note</i>)	1,650,914,973	24.88	1,650,914,973	17.42
Morgan Strategic Limited	1,236,032,432	18.63	1,236,032,432	13.04
Mr. Wong Chak Keung	14,120,000	0.21	14,120,000	0.15
The Vendor	-	-	2,843,500,000	29.99
	2,901,067,405	43.72	5,744,567,405	60.60
Public Shareholders	3,733,934,527	56.28	3,733,934,527	39.40
Total	6,635,001,932	100.00	9,478,501,932	100.00

Note:

Mr. Xiang Xin, an executive Director, is the sole director of Honour Sky International Limited.

TERMS OF PROMISSORY NOTE

The terms of the Promissory Note have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer

The Company

Principal amount

HK\$102,860,000

Interest

5% per annum

Maturity

The maturity date of the Promissory Note shall be on the date falling on the fifth anniversary of the date of issue of the Promissory Note.

Early repayment

The Company could, at its option, repay the Promissory Note in whole or in part in multiples of HK\$1,000,000 by giving a prior written notice to the Vendor, commencing on the date of the Promissory Note up to the date immediately prior to the maturity date of the Promissory Note. There will not be any premium or discount to the payment obligations under the Promissory Note for any early repayment.

Transferability

The holder of the Promissory Note may only assign or transfer the Promissory Note to the transferee subject to the prior consent of the Company.

INFORMATION ON THE TARGET GROUP

The Target was incorporated in the British Virgin Islands on 16 September 2010. The Target is principally engaged in investment holding and does not have any operation apart from investment holding. The Target holds 100% equity interest in Dooda Innovation.

Dooda Innovation was incorporated in Hong Kong on 11 December 2008. Dooda Innovation is principally engaged in investment holding and does not have any operation apart from investment holding. Dooda Innovation holds 97% equity interest in Dooda Innovation China.

Dooda Innovation China is a company established in the PRC on 2 November 2009 and is principally engaged in the business applications LED low-carbon energy technology solutions and computer architecture technologies.

According to the unaudited consolidated management accounts of the Target Group prepared under the Hong Kong accounting standard, for the year ended 31 December 2009, the Target Group did not record any turnover and recorded a loss of approximately HK\$6,000 before and after taxation. The net asset value of the Target Group as at 31 December 2009 was approximately HK\$61,896,000.

According to the unaudited consolidated management accounts of the Target Group prepared under the Hong Kong accounting standard, for the year ended 31 December 2010, the Target Group did not record any turnover and recorded a loss of approximately HK\$6,344,000 before and after taxation. The net asset value of the Target Group as at 31 December 2010 was approximately HK\$90,061,000.

REASONS FOR THE PROPOSED ACQUISITION

The Group is principally engaged in sales and marketing of mobile phone appliances and the relevant application solution. As set out in the annual report of the Company for the year ended 31 December 2009, as there is fierce competition in the current business operations of the Group, the Board has been seeking opportunities to increase the business scope and the foundation of the Group. In view of the intense competition and falling profit margin, the Company is actively seeking opportunities to other business with higher return.

The Group planned to develop the business of energy management contract as a move to enhance its competitiveness and strengthen in the distribution and marketing of information technology products and solutions. The Group completed a rights issue and raised approximately HK\$132 million after expenses in mid-2010. The Group will use part of the net proceeds for the development of the Group's energy management contract business and to carry out the energy-saving industrial applications of digital

business.

The Acquisition was introduced by China Innovation Investment Limited, the shares of which are listed on the Main Board of the Stock Exchange.

The Target Group will apply its low carbon energy technology solutions through the cooperation with construction developer(s) in their construction project(s) for low carbon commercial building(s), low carbon tourism centre(s), low carbon exhibition centre(s) and low carbon healthcare centre(s). It involves the application of energy-saving building technologies and system integration to reduce the energy consumption in the building. The Board of Directors believes that the Acquisition represents a good opportunity for the Group to extend the energy management contract business to low carbon construction sector. Accordingly, the Directors consider that the terms and conditions of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

SHAREHOLDERS' PREFERENTIAL SCHEME

Subject to the completion of the Acquisition and subsequent negotiation with the construction developer(s), the Group will negotiate the terms of cooperation with the construction developer(s) to implement shareholders' preferential scheme for the qualifying Shareholders to purchase certain salable properties in the PRC market. Before the development of each construction project with the construction developer(s), the Company will make further announcement(s) in respect of the shareholders' preferential scheme for the construction project to the qualifying Shareholders of the Company. To qualify as a qualifying shareholder of the Company, a Shareholder must be registered on the register of members of the Company on the date specified in such announcement(s). To encourage the support from the qualifying Shareholder(s) in the Company, the Company will negotiate the preferential terms with the construction developer(s) to the qualifying Shareholders whose names appear on the register of members of the Company for not less than six months as specified in such announcement(s) to purchase the certain properties in the PRC market at preferential discount. Subject to the availability of the salable properties for each construction project and on a first-come first-serve basis, the preferential discount will be offered at the rate of RMB1 (subject to change) for every Share held by the qualifying Shareholder(s) provided that the preferential discount is limited to 50% of the price of the salable properties.

As the scheme is subject to the completion of the Acquisition and subsequent negotiation with the construction developer(s), the scheme may or may not be materialise. Shareholders and potential investors should exercise caution when dealing in the Shares.

GEM LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and will be subject to the approval of the Shareholders at the EGM. As no Shareholder has an interest in the Acquisition, no Shareholder is therefore required to abstain from voting on the resolution(s) to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

As it is expected that it will take at least weeks for the Company to obtain the accountants' reports on the Target Company and the valuation report on the Target Group, the circular containing further details in respect of, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issue of Convertible Bonds and the Conversion Shares in relation thereto), the notice of the EGM and other information as required under the GEM Listing Rules, will be despatched to the Shareholders on or before 7 March 2011.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Share by the Company as contemplated under the Sale and Purchase Agreement
“associates”	has the meaning ascribed to this term under the GEM Listing Rules
“Board”	the board of Directors
“Bondholder”	holder of the Convertible Bonds
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Circular”	the circular of the Company containing, among other things, information as regards to the Acquisition together with a notice convening the EGM to be despatched to Shareholders

“Company”	China Trends Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“Completion”	completion of the sale and purchase of the Sale Share in accordance with the terms and conditions of the Sale and Purchase Agreement
“Consideration”	the consideration of HK\$228,000,000 payable by the Company to the Vendor for the Acquisition and to be satisfied in the manner as described in this announcement
“Conversion Price”	the initial conversion price of HK\$0.04 per Conversion Share, subject to adjustments, pursuant to the terms of the Convertible Bonds
“Conversion Shares”	new Shares to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds
“Convertible Bonds”	the convertible bonds in the agreed form in the principal amount of HK\$113,740,000 with no interest, to be issued by the Company in favour of the Vendor at Completion
“Deposit”	the refundable deposit in the amount of HK\$11,400,000 payable in cash by the Company to the Vendor
“Directors”	the directors of the Company
“Dooda Innovation”	Dooda Innovation Limited, a company incorporated in Hong Kong and is a wholly owned subsidiary of the Target
“Dooda Innovation China”	多達創新(中國)有限公司 (transliterated as Dooda Innovation (China) Limited), a company established in the PRC and is a 97% owned subsidiary of Dooda Innovation
“EGM”	the extraordinary general meeting of the Company to be held and convened for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder, including (i) the issue of the Convertible Bonds; and (ii) the

	allotment and issue of the Conversion Shares
“GEM”	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
“Guarantor”	Mr. Ding Yi Ning, the ultimate beneficiary of the Vendor
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s), 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
“Maturity Date”	the date falling five years after the date of issue of the Convertible Bond, being the date on which the Convertible Bonds mature
“PRC”	the People’s Republic of China
“Promissory Note”	the promissory note in the principal amount of HK\$102,860,000 and with a maturity date on the fifth anniversary of the date of issue to be executed by the Company for the purpose of settling part of the Consideration
“Sale Share”	one ordinary share of US\$1.00 in the issued share capital of the Target, representing the entire issued share capital of the Target
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Target”	Full Smart Asia Limited, a company incorporated in the British Virgin

	Islands, whose entire issued share capital is beneficially owned by the Vendor
“Target Group”	the Target, Dooda Innovation and Dooda Innovation China
“Vendor”	Joy China Group Limited, a company incorporated in the British Virgin Islands
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

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

Hong Kong, 7 January 2011

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

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.