

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **China Trends Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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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)

**CONNECTED TRANSACTION:  
AMENDMENT TO THE TERMS OF  
THE CONVERTIBLE BONDS;  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent financial adviser to the Independent Board Committee and  
the Independent Shareholders**

**Beijing Securities**  
Beijing Securities Limited  
北京證券有限公司

A letter from the Board is set out on pages 6 to 16 of this circular.

A letter from the Independent Board Committee is set out on page 17 and 18 of this circular. A letter from Beijing Securities Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 34 of this circular.

A notice convening the EGM to be held at 26/F., No. 9 Des Voeux Road West, Sheung Wan, Hong Kong on Monday, 23 November 2015 at 11:00 a.m., is set out on pages 38 to 39 of this circular.

A proxy form for use in the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and return the same at the office of the Company's branch share registrar in Hong Kong, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

This circular will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for seven days from the date of its publication.

6 November 2015

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

**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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## DEFINITIONS

*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

|                           |   |
|---------------------------|---|
| “Announcement”            | the announcement of the Company dated 5 October 2015 in relation to the amendment to the terms of the Convertible Bonds and the Clawback Offer  |
| “Application Form(s)”     | the form of application for use by the Qualifying Shareholders to apply for the Offer Bonds   |
| “associates”              | has the meaning ascribed thereto under the GEM Listing Rules  |
| “Board”                   | board of Directors  |
| “Bond Transfer Agreement” | the agreement dated 5 October 2015 and entered into between Ocean Space and Honour Sky pursuant to which Ocean Space agreed to sell and Honour Sky agreed to purchase Convertible Bonds in the principal amount of HK\$36,077,132   |
| “Bondholder(s)”           | China Technology, Honour Sky, Ocean Space, Metropower and Mr. Wong  |
| “business day”            | any day (other than a Saturday, Sunday or public holiday and any day on which tropical cyclone signal no. 8 or above or a “black” rainstorm warning signals is hoisted in Hong Kong at any time between 9:00 a.m. to 4:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours |
| “China Technology”        | China Technology Education Trust Association, a society registered under the provisions of section 5A(1) of the Societies Ordinance, Chapter 151 of the Laws of Hong Kong   |
| “Clawback Offer”          | the clawback offer of Offer Bonds in the principal amount of HK\$0.074 (or two Offer Conversion Shares upon the conversion of such Offer Bonds) for every one Share held on the Record Date   |
| “Company”                 | China Trends Holdings Limited (stock code: 8171), a company incorporated in Cayman Islands with limited liability, the issued Shares of which are listed on GEM   |
| “connected person(s)”     | has the meaning ascribed thereto under the GEM Listing Rules  |

## DEFINITIONS

|                                 |  |
|---------------------------------|--|
| “Conversion Price”              | HK\$0.037 per Conversion Share, being the adjusted conversion price, subject to adjustments, pursuant to the terms of the Convertible Bonds  |
| “Conversion Share(s)”           | new Share(s) to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds  |
| “Convertible Bonds”             | convertible bonds in the initial principal amount of HK\$595,000,000 issued by the Company on 30 December 2009   |
| “Director(s)”                   | the director(s) of the Company   |
| “EGM”                           | the extraordinary general meeting of the Company to be convened and held on Monday, 23 November 2015 for the Independent Shareholders to consider and if thought fit to approve, inter alia, the Second Deed of Amendment and the transaction contemplated thereunder  |
| “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”                     | the Hong Kong Special Administrative Region of the People’s Republic of China  |
| “Honour Sky”                    | Honour Sky International Limited, a company incorporated in the British Virgin Islands with limited liability, of which Mr. Xiang is the sole director and Ms. Kung Ching, the spouse of Mr. Xiang, is the ultimate beneficial owner   |
| “Independent Board Committee”   | the board committee comprising all the independent non-executive Directors to advise the Independent Shareholders as to fairness and reasonableness of the Second Deed of Amendment and the transactions contemplated thereunder   |
| “Independent Financial Adviser” | Beijing Securities Limited, a licensed corporation under the SFO authorised to carry out regulated activities of type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance), being appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Second Deed of Amendment |

## DEFINITIONS

|                               |   |
|-------------------------------|---|
| “Independent Shareholders”    | Shareholders other than the Bondholders and their respective associates   |
| “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 |
| “Kingston”                    | Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the SFO   |
| “Last Trading Day”            | 5 October 2015, being the last full trading day before the release of the Announcement  |
| “Latest Practicable Date”     | 5 November 2015, being the latest practicable date for ascertaining certain information contained in this circular  |
| “Latest Time for termination” | 4:00 p.m. on Wednesday, 23 December 2015 or such other time and/or date as may be agreed between the Offerors and Kingston (on behalf of the Underwriters)  |
| “Listing Committee”           | the listing committee of the Stock Exchange for considering applications for listing and the granting of listing  |
| “Maturity Date”               | 30 December 2015, being the revised maturity date of which the Convertible Bonds became due   |
| “Metropower”                  | Metropower Holdings Limited, a company incorporated in Hong Kong with limited liability   |
| “Morgan Strategic”            | Morgan Strategic Limited, a company incorporated in the British Virgin Islands with limited liability and an Independent Third Party  |
| “Mr. Wong”                    | Wong Chak Keung   |
| “Mr. Xiang”                   | Xiang Xin, the chairman of the Board and an executive Director  |
| “Ocean Space”                 | Ocean Space Development Limited, a company incorporated in the British Virgin Islands with limited liability  |
| “Offer Bond(s)”               | Convertible Bonds in the aggregate principal amount of HK\$498,390,142.968 proposed to be offered to Qualifying Shareholders on the terms set out in the Underwriting Agreement and in the Prospectus   |

## DEFINITIONS

|                                 |  |
|---------------------------------|--|
| “Offerors”                      | China Technology, Honour Sky, Metropower and Mr. Wong  |
| “Outstanding Convertible Bonds” | the Convertible Bonds with an outstanding principal amount of HK\$505,596,736 held by the Bondholders  |
| “Overseas Shareholder(s)”       | Shareholder(s) whose registered address(es) as shown in the register of members of the Company on the Record Date is(are) outside of Hong Kong   |
| “Prohibited Shareholders”       | those Overseas Shareholders to whom the Offerors, after making enquiries regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant overseas regulatory bodies or stock exchanges, consider it necessary or expedient to exclude them from the Clawback Offer |
| “Prospectus”                    | the prospectus to be issued to the Shareholders containing details of the Clawback Offer   |
| “Prospectus Documents”          | the Prospectus and the Application Form(s)   |
| “Qualifying Shareholders”       | Shareholders whose names appear on the register of members of the Company (other than HKSCC Nominees Limited) and the Shareholders whose names appear in the record of nominee companies or CCASS Participants on the Record Date, other than the Prohibited Shareholders                                      |
| “Record Date”                   | Tuesday, 1 December 2015, the date by reference to which entitlements to the Clawback Offer are to be determined, or such other date as may be agreed between the Offerors and Kingston (on behalf of the Underwriters)  |
| “Second Deed of Amendment”      | the conditional second deed of amendment dated 5 October 2015 and entered into between the Company and the Bondholders to amend certain terms of the Convertible Bonds   |
| “Settlement Date”               | the date being the fourth business day following (but excluding) the Latest Time for Termination or such later date as the Offerors and Kingston (on behalf of the Underwriters) may agree   |
| “SFO”                           | the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong   |
| “Share(s)”                      | share(s) of HK\$0.01 each in the share capital of the Company  |

## DEFINITIONS

|                           |  |
|---------------------------|--|
| “Shareholder(s)”          | holder(s) of issued Share(s)   |
| “Stock Exchange”          | The Stock Exchange of Hong Kong Limited  |
| “substantial shareholder” | has the meaning ascribed thereto under the GEM Listing Rules   |
| “Sub-underwriters”        | the fourteen sub-underwriters who have agreed to take up in aggregate a maximum of Offer Bonds in the principal amount of HK\$240,500,000 pursuant to the sub-underwriting arrangements entered into with Kingston             |
| “Underwriters”            | Honour Sky and Kingston  |
| “Underwriting Agreement”  | the underwriting agreement dated 5 October 2015 and entered into between the Offerors and the Underwriters in respect of the Clawback Offer (as supplemented by the supplemental underwriting agreement dated 5 November 2015) |
| “HK\$”                    | Hong Kong dollar, the lawful currency of Hong Kong   |
| “%”                       | percentage or per centum   |





**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)

*Executive Directors:*

Mr. Xiang Xin  
Ms. Zhong Keying  
Mr. Wang Jianjun

*Non-executive Directors:*

Mr. Sun Kuan Chi  
Mr. Kuk Peter Z  
Mr. Ge Ming  
Mr. Wang Wei  
Mr. Xin Luo Lin

*Independent non-executive Directors:*

Mr. Zhang Zhan Liang  
Ms. An Jing  
Mr. Chen Yicheng  
Mr. Kwai Sze Kit

*Alternate Director:*

Ms. Kung Ching, alternate director to  
Mr. Xiang Xin

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Head office and principal place of  
business in Hong Kong:*

26/F, No. 9 Des Voeux Road West  
Sheung Wan  
Hong Kong

6 November 2015

*To the Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION:  
AMENDMENT TO THE TERMS OF  
THE CONVERTIBLE BONDS;  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

**The Second Deed of Amendment**

On 5 October 2015 (after trading hours of the Stock Exchange), the Company and the Bondholders entered into the conditional Second Deed of Amendment to (i) remove the lockup period of six months commencing on the date of the allotment and issue of such Conversion

## LETTER FROM THE BOARD

Shares; (ii) amend the number of days the Company is required to deliver the share certificates after conversion of the Convertible Bonds from ten business days to one business day after the date of conversion; (iii) remove the restrictions for the conversion and transfer of the Convertible Bonds in multiples of HK\$10,000,000; (iv) amend the terms of the Convertible Bonds such that the Convertible Bonds shall be automatically converted into Conversion Shares on the business day next prior to the Settlement Date; and (v) permit the use of such form of instrument of transfer as the Board may approve for the transfer of the Convertible Bonds. All other terms of the Convertible Bonds shall remain unchanged and valid.

### THE SECOND DEED OF AMENDMENT

Date: 5 October 2015 (after trading hours of the Stock Exchange)

Parties: the Company

the Bondholders

#### Amended terms:

To (i) remove the lockup period of six months commencing on the date of the allotment and issue of such Conversion Shares; and (ii) amend the number of days the Company is required to deliver the share certificates after conversion of the Convertible Bonds from ten business days to one business day after the date of conversion; (iii) remove the restrictions for the conversion and transfer of the Convertible Bonds in multiples of HK\$10,000,000; (iv) amend the terms of the Convertible Bonds such that the Convertible Bonds shall be automatically converted into Conversion Shares on the business day next prior to the Settlement Date; and (v) permit the use of such form of instrument of transfer as the Board may approve for the transfer of the Convertible Bonds. All other terms of the Convertible Bonds shall remain unchanged and valid.

The Second Deed of Amendment is conditional on (i) the passing by the Independent Shareholders at the EGM to be convened and held, of the necessary resolutions to approve the Second Deed of Amendment and the transactions contemplated thereunder; and (ii) all necessary consents and approvals required to be obtained on the part of the Company and the Bondholders in respect of the Second Deed of Amendment and the transactions contemplated thereunder (including but not limited to the approval of the Stock Exchange required under the GEM Listing Rules) having been obtained. If any of the conditions above are not fulfilled on or before 20 November 2015 or such later date as may be agreed by the parties in writing, the Second Deed of Amendment will lapse and terminate.

## LETTER FROM THE BOARD

### MAJOR TERMS OF THE OUTSTANDING CONVERTIBLE BONDS

Apart from the change of terms of the Convertible Bonds in the Second Deed of Amendment, all terms of the Convertible Bonds remain unchanged, which are summarized below:

|                               |   |
|-------------------------------|---|
| Outstanding principal Amount: | HK\$505,596,736   |
| Interest:                     | The Convertible Bonds carry no interest   |
| Maturity Date:                | 30 December 2015  |
| Conversion:                   | Provided that (i) any conversion of the Convertible Bonds does not trigger a mandatory offer obligation on the part of the Bondholder(s) 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 Bondholders) 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 and (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, the Bondholder(s) may convert in whole or part of the principal amount of the Convertible Bonds into Conversion Shares at the Conversion Price for the period commencing from the date of issue of the Convertible Bonds up to the Maturity Date. |
| Conversion price:             | The Conversion Price at HK\$0.037 per Conversion Share subject to adjustments further set out below.<br><br>The Conversion Price:<br><br>(i) represents a discount of approximately 54.88% to the closing price of HK\$0.082 per Share as quoted on the Stock Exchange on the Last Trading Day;<br><br>(ii) represents a discount of approximately 53.16% to the average of the closing prices of Shares for five consecutive trading days up to and including the Last Trading Day of HK\$0.079;   |

## LETTER FROM THE BOARD

(iii) represents a premium of approximately 94.74% over the audited consolidated net assets value per Share of approximately HK\$0.019 as at 30 June 2015; and

(iv) represents a discount of 53.75% to the closing price of HK\$0.080 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Automatic conversion:

Any principal amount of the Convertible Bonds which remains outstanding on the business day next prior to the Settlement Date shall be converted into Shares.

Adjustments:

The adjustments for Conversion Price include the following:

- (i) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;
- (ii) 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);
- (iii) 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 the payment or making of any capital distribution to the Shareholders;
- (iv) 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);
- (v) 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
- (vi) 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.

## LETTER FROM THE BOARD

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.

- 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: The Convertible Bond 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(s) may only assign or transfer the Convertible Bonds to the transferee subject to the prior consent of the Company.
- Voting: The Convertible Bonds does not confer any voting rights at any meetings of the Company.
- 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.

## LETTER FROM THE BOARD

### INFORMATION ON THE OUTSTANDING CONVERTIBLE BONDS

Information on the Outstanding Convertible Bonds, including (i) the principal amount of the Convertible Bonds held by each Bondholder; (ii) principal amount of the Convertible Bonds converted on 9 July 2010 at the Conversion Price of HK\$0.037 per Conversion Share; (iii) remaining balance of the Outstanding Convertible Bonds; and (iv) number of Shares convertible upon full conversion of the Outstanding Convertible Bonds based on the Conversion Price:

| Bondholders   | Notes | Outstanding<br>principal<br>amount of<br>Convertible<br>Bonds (HK\$) | Number of<br>Conversion<br>Shares to be<br>issued upon<br>full conversion<br>of the<br>Outstanding<br>Convertible<br>Bonds | Number of<br>Conversion<br>Shares subject<br>to the<br>Clawback<br>Offer |
|---|-------|--|--|--|
| <i>Mr. Xiang and parties acting in concert with him</i> |       |  |  |  |
| China Technology  | 1     | 307,522,000  | 8,311,405,405  | 8,311,405,405  |
| Honour Sky  | 2 & 3 | 177,683,278  | 4,802,250,756  | 4,607,477,973  |
| Metropower  | 4     | 16,792,948   | 453,863,459  | 453,863,459  |
| Mr. Wong  | 5     | <u>3,598,510</u>   | <u>97,257,027</u>  | <u>97,257,027</u>  |
| <b>Total</b>  |       | <u><u>505,596,736</u></u>  | <u><u>13,664,776,647</u></u>   | <u><u>13,470,003,864</u></u>   |

*Notes:*

- China Technology, 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 is a chairman of China Technology.
- Honour Sky is wholly and beneficially owned by Ms. Kung Ching, the spouse of Mr. Xiang. Accordingly, Ms. Kung Ching is interested in the underlying Shares held by Honour Sky. Ms. Kung Ching is an alternate Director of Mr. Xiang. Honour Sky is an investment holding company. On 5 October 2015, Ocean Space and Honour Sky entered into the Bond Transfer Agreement pursuant to which Ocean Space agreed to sell and Honour Sky agreed to purchase Convertible Bonds in the principal amount of HK\$36,077,132 at the consideration of HK\$36,077,132. Completion of the Bond Transfer Agreement took place on 8 October 2015. Upon such completion, Honour Sky shall be interested in the Convertible Bonds in the aggregate principal amount of HK\$177,683,278.
- The total number of Conversion Shares to be allotted and issued upon full conversion of the Outstanding Convertible Bonds is 13,664,776,647 Shares and the total number of Conversion Shares to be issued upon the conversion of the Offer Bonds is 13,470,003,864 Shares. As all of the Outstanding Convertible Bonds shall be automatically converted into Conversion Shares on the business day next prior to the Settlement Date, upon the completion of the transfer under the Clawback Offer and the automatic conversion of the Outstanding Convertible Bonds, Honour Sky shall be allotted and issued with 194,772,783 Conversion Shares and 4,607,477,973 Conversion Shares shall allotted and issued to the relevant purchasers in accordance with the terms of the Prospectus Documents.

## LETTER FROM THE BOARD

4. Metropower is beneficially owned by Mr. Wang Yan Li. Accordingly, Mr. Wang Yan Li is interested in the Shares and the underlying Shares held by Metropower. Metropower is an investment holding company.
5. Such information was based on a letter received from Mr. Wong who informed the Company on 19 April 2013 that he has sold his 14,120,000 Shares converted from the Convertible Bonds in August 2011 and he still holds the Outstanding Convertible Bonds in the principal amount of HK\$3,598,510.
6. Mr. Xiang and parties acting in concert with him could not convert the Outstanding Convertible Bonds if upon conversion Mr. Xiang and parties acting in concert with him will be interested in 30% or more of the issued share capital of the Company pursuant to the conversion restriction under the terms of the Outstanding Convertible Bonds.

### SHAREHOLDING STRUCTURE

Set out below are the shareholding structures of the Company immediately before and upon completion of the Clawback Offer:

| Shareholders  | Notes | As at the Latest Practicable Date |                      | Immediately after the completion of the Clawback Offer assuming that all Qualifying Shareholders have taken up their entitlement in full and automatic conversion of the Outstanding Convertible Bonds in full |                      | Immediately after completion of the Clawback Offer assuming that none of the Qualifying Shareholder has taken up their entitlements and automatic conversion of the Outstanding Convertible Bonds in full |                      |
|---|-------|-----------------------------------|----------------------|--|----------------------|---|----------------------|
|   |       | Number of Shares                  | Approximate %        | Number of Shares   | Approximate %        | Number of Shares  | Approximate %        |
| <i>Mr. Xiang and parties acting in concert with him</i> |       |                                   |                      |  |                      |   |                      |
| Honour Sky  | 1 & 2 | 1,650,914,973                     | 24.51                | 5,147,517,702  | 25.23                | 5,693,201,596   | 27.91                |
| Ocean Space   | 3     | <u>141,564,000</u>                | <u>2.10</u>          | <u>424,692,000</u>   | <u>2.08</u>          | <u>424,692,000</u>  | <u>2.08</u>          |
| <b>Subtotal</b>   |       | 1,792,478,973                     | 26.61                | 5,572,209,702  | 27.31                | 6,117,893,596   | 29.99                |
| Kingston  | 4 & 5 | —                                 | —                    | —  | —                    | 2,126,962,024   | 10.43                |
| <i>Public Shareholders</i>                              |       |                                   |                      |  |                      |   |                      |
| Morgan Strategic  | 6     | 356,200,000                       | 5.29                 | 1,068,600,000  | 5.24                 | 1,068,600,000   | 5.24                 |
| Sub-underwriters  | 7     | 98,272,000                        | 1.46                 | 294,816,000  | 1.45                 | 6,598,272,000   | 32.34                |
| Other public shareholders                               |       | <u>4,488,050,959</u>              | <u>66.64</u>         | <u>13,464,152,877</u>  | <u>66.00</u>         | <u>4,488,050,959</u>  | <u>22.00</u>         |
| <b>Total</b>  |       | <u><u>6,735,001,932</u></u>       | <u><u>100.00</u></u> | <u><u>20,399,778,579</u></u>   | <u><u>100.00</u></u> | <u><u>20,399,778,579</u></u>  | <u><u>100.00</u></u> |

## LETTER FROM THE BOARD

*Notes:*

1. Honour Sky is wholly and beneficially owned by Ms. Kung Ching, the spouse of Mr. Xiang. Accordingly, Ms. Kung Ching is interested in the Shares held by Honour Sky. Ms. Kung Ching is an alternate Director of Mr. Xiang.
2. Upon completion of the transfer under the Clawback Offer and the automatic conversion of the Outstanding Convertible Bonds, Honour Sky shall be allotted and issued with 194,772,783 Conversion Shares and 4,607,477,973 Conversion Shares shall allotted and issued to the relevant purchasers in accordance with the terms of the Prospectus Documents.
3. Ocean Space is wholly and beneficially owned by Mr. Zhang Shao Cai. Accordingly, Mr. Zhang Shao Cai is interested in the Shares and the underlying Shares held by Ocean Space. Ocean Space is an investment holding company.
4. Kingston has entered into sub-underwriting agreements with each of the Sub-underwriters and such sub-underwriting arrangements have been confirmed such that (i) Kingston shall not purchase, for its own account, for such number of untaken Offer Bonds which upon conversion will result in the shareholding of it and parties acting in concert with it in the Company to exceed 19.99% of the voting rights of the Company upon the completion of the Clawback Offer; and (ii) Kingston shall use its best endeavours to ensure that each of the purchasers of the untaken Offer Bonds procured by it (1) shall be Independent Third Party; and (2) save for Kingston itself and its associates, shall not, hold 10.0% or more of voting rights of the Company upon completion of the Clawback Offer.
5. Based on the present shareholding of the Company as set out above, the sub-underwriting arrangements as mentioned in note 4 above and to the best information of the Company, the Company is not aware of any Shareholder who would, as a result of taking up the Offer Bonds to which he/she/it is entitled under the Clawback Offer, incur an obligation to make a general offer under the Takeovers Code.
6. As set out in the table above, the public float will not fall below 25% throughout the Clawback Offer exercise or upon conversion of the Convertible Bonds.
7. If upon completion of the Clawback Offer, none of the Qualifying Shareholders has taken up their entitlements, the shareholding interests in the Company of each of the Sub-underwriters would be 800,000,000, 800,000,000, 509,840,000, 502,240,000, 500,000,000, 500,000,000, 500,000,000, 500,000,000, 470,896,000, 400,000,000, 400,000,000, 304,800,000, 300,000,000 and 110,496,000 Shares, representing approximately 3.92%, 3.92%, 2.50%, 2.46%, 2.45%, 2.45%, 2.45%, 2.45%, 2.31%, 1.96%, 1.96%, 1.49%, 1.47% and 0.54% respectively of the total issued share capital of the Company.

### **REASONS FOR AND BENEFIT OF THE SECOND DEED OF AMENDMENT**

The Group is principally engaged in (i) trading of electronic technology and related products; and (ii) the low-carbon products applications. It mainly develops business of low carbon digital solutions and provides online media platforms and media advertising business.

Conditional upon and subject to completion of the Second Deed of Amendment, the Offerors will offer initially not more than Offer Bonds in the principal amount of HK\$498,390,142.968 to the Qualifying Shareholders on a pro rata basis of Offer Bonds in the principal amount of HK\$0.074 for every one Share held as at the close of business on the Record Date at its face value of HK\$0.074.



## **LETTER FROM THE BOARD**

On the second business day immediately prior to the Settlement Date, the Bondholders shall transfer the Offer Bonds to the relevant purchasers in accordance with the terms of the Prospectus Documents. On the business day next prior to the Settlement Date, the Outstanding Convertible Bonds shall be automatically converted into Conversion Shares. The Company shall allot and issue the Conversion Shares to such purchasers on the Settlement Date.

The Clawback Offer will provide an opportunity for the Shareholders to further participate in and share the growth of the Company. Given the Conversion Price of the Outstanding Convertible Bonds is HK\$0.037 and the number of Conversion Shares is 13,664,776,647 Shares, in the event the Outstanding Convertible Bonds are exercised in full, the shareholding interests of the existing Shareholders in the Shares will be significantly diluted. The Clawback Offer will provide an opportunity for the Qualifying Shareholder to purchase for the Convertible Bonds, which shall be automatically converted into Conversion Shares, at a substantial discount to the market price and not resulting in their shareholding interests on being diluted significantly.

The Second Deed of Amendment and the transactions contemplated thereunder will facilitate the Clawback Offer, which will be in the interests of the Company and Shareholders as a whole.

Based on the above factors, the Board (excluding Mr. Xiang, also a bondholder, who abstained from expressing an opinion) considers that the terms and conditions of the Second Deed of Amendment are fair and reasonable and the Second Deed of Amendment is in the interests of the Company and the Shareholders as a whole.

### **GEM LISTING RULES IMPLICATIONS**

Pursuant to Rule 34.05 of the GEM Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where alterations take effect automatically under the existing terms of such convertible debt securities.

As at the Latest Practicable Date, the Bondholders hold in aggregate approximately 26.61% of the existing issued share capital of the Company. The entering into of the Second Deed of Amendment constitutes a connected transaction of the Company and will be subject to the approval of the Independent Shareholders taken by way of a poll at the EGM. An ordinary resolution will be proposed at the EGM to be held and convened for the Independent Shareholders to consider and if thought fit, approve/ratify the entering into of the Second Deed of Amendment and the transactions contemplated thereunder. All the Bondholders are considered to have a material interest in the Second Deed of Amendment and accordingly all the Bondholders and their respective associates will be required to abstain from voting in respect of the resolution approving the Second Deed of Amendment and the transactions contemplated thereunder at the EGM.

As at the Latest Practicable Date, Kingston does not have any shareholding or interests in the Company. Save for the underwriting arrangements under the underwriting agreement, neither Kingston nor its associates holds or intends to acquire any of the Convertible Bonds. To the best of the Directors' knowledge, information and belief, among the fourteen Sub-

## **LETTER FROM THE BOARD**

underwriters procured by Kingston up to the Latest Practicable Date, thirteen out of the aforesaid fourteen are an individual and the remaining one is a corporate and each of the Sub-underwriters and their beneficial owner(s) in the case of corporate sub-underwriter are an Independent Third Party. Pursuant to the sub-underwriting arrangements, the Sub-underwriters have agreed to take up in aggregate a maximum of Offer Bonds in the principal amount of HK\$240,500,000. To the best of the Directors' knowledge, information and belief, save for the sub-underwriting arrangements under the sub-underwriting agreements, there are no other agreements, arrangements, understanding or undertakings (whether formal or informal and whether express or implied) between any of the Sub-underwriters and Kingston or among the Sub-underwriters. Save as disclosed above, none of the Sub-underwriters or their respective associates holds or intends to acquire any of the Convertible Bonds. Given that five of the Sub-underwriters or their respective associates are holding 70,896,000, 10,496,000, 9,840,000, 2,240,000 and 4,800,000 Shares each in the Company as at the Latest Practicable Date, such sub-underwriters and their respective associates will be required to abstain from voting in respect of the resolution approving the Second Deed of Amendment and the transactions contemplated thereunder at the EGM.

Approval of the Independent Shareholders by way of poll is proposed to be sought at the EGM in respect of the Second Deed of Amendment and the transactions contemplated thereunder.

Save as disclosed, no other Shareholders have material interest in the Second Deed of Amendment and the transactions contemplated thereunder and are required to abstain from voting at the EGM.

### **GENERAL**

A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders on the terms of the Second Deed of Amendment, the transactions contemplated thereunder and as to voting has been set out at pages 17 to 18 of this circular.

Beijing Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard and a letter from Beijing Securities to the Independent Board Committee and the Independent Shareholders containing its advice on the terms of the Second Deed of Amendment, the transactions contemplated thereunder and as to voting has been set out at pages 19 to 34 of this circular.

### **EGM**

Set out on pages 38 to 39 of this circular is a notice convening the EGM to be held at 26/F., No. 9 Des Voeux Road West, Sheung Wan, Hong Kong on Monday, 23 November 2015 at 11:00 a.m. at which relevant resolution(s) will be proposed to the Shareholders to consider and, if thought fit, approve the Second Deed of Amendment and the transactions contemplated thereunder.

## LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the holding of the EGM or any adjournments thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournments thereof if you so wish.

### RECOMMENDATION

The Board considers that the terms of the Second Deed of Amendment and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution in relation to the approval of the Second Deed of Amendment and the transactions contemplated thereunder as set out in the notice of EGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendice to this circular.

Yours faithfully  
For and on behalf of the Board  
**China Trends Holdings Limited**  
**Xiang Xin**  
*Chairman and Chief Executive Officer*



**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)

6 November 2015

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION:  
AMENDMENT TO THE TERMS OF  
THE CONVERTIBLE BONDS**

We refer to the circular of the Company dated 6 November 2015 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you on the terms of the Second Deed of Amendment and the transactions contemplated thereunder and whether such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Beijing Securities has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Second Deed of Amendment are on normal commercial terms and are fair and reasonable; and the entering into of the Second Deed of Amendment is in the interests of the Company and the Shareholders as a whole. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 19 to 34 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 16 of the Circular and the additional information set out in the appendice to the Circular.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

Having considered the terms of the Second Deed of Amendment and the transactions contemplated thereunder and the advice of Beijing Securities, we are of the opinion that the terms of the Second Deed of Amendment are on normal commercial terms and are fair and reasonable and the entering into of the Second Deed of Amendment is in the interests of the Company and the Shareholders as a whole. We therefore recommend that you vote in favour of the resolution to be proposed at the EGM to approve the Second Deed of Amendment and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
Independent Board Committee of  
**China Trends Holdings Limited**

**Mr. Zhang Zhan Liang**  
*Independent non-executive Director*

**Ms. An Jing**  
*Independent non-executive Director*

**Mr. Chen Yicheng**  
*Independent non-executive Director*

**Mr. Kwai Sze Kit**  
*Independent non-executive Director*

## LETTER FROM BEIJING SECURITIES

*The following is the text of a letter of advice from Beijing Securities to the Independent Board Committee and Independent Shareholders in connection with the transactions contemplated under the Second Deed of Amendment which has been prepared for incorporation in this circular.*

**Beijing Securities**  
Beijing Securities Limited  
北京證券有限公司

### BEIJING SECURITIES LIMITED

14th Floor, Shanghai Industrial Investment Building, 48 Hennessy Road, Wanchai, Hong Kong

6 November 2015

*To the Independent Board Committee and the Independent Shareholders of  
China Trends Holdings Limited*

Dear Sirs,

### **CONNECTED TRANSACTION: AMENDMENT TO THE TERMS OF THE CONVERTIBLE BONDS**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Second Deed of Amendment, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 6 November 2015 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 5 October 2015, the Company and Bondholders entered into the conditional Second Deed of Amendment to amend the terms of the Outstanding Convertible Bonds in order to (i) remove the lockup period of six months commencing on the date of the allotment and issue of such Conversion Shares; (ii) amend the number of days the Company is required to deliver the share certificates after conversion of the Convertible Bonds from ten business days to one business day after the date of conversion; (iii) remove the restrictions for the conversion and transfer of the Convertible Bonds in multiples of HK\$10,000,000; (iv) amend the terms of the Convertible Bonds such that the Convertible Bonds shall be automatically converted into Conversion Shares on the business day next prior to the Settlement Date; and (v) permit the use of such form of instrument of transfer as the Board may approve for the transfer of the Convertible Bonds. All other terms of the Convertible Bonds shall remain unchanged and valid.

## LETTER FROM BEIJING SECURITIES

The Second Deed of Amendment is conditional on (i) the passing by the Independent Shareholders at the EGM to be convened and held, of the necessary resolutions to approve the Second Deed of Amendment and the transactions contemplated thereunder; and (ii) all necessary consents and approvals required to be obtained on the part of the Company and the Bondholders in respect of the Second Deed of Amendment and the transactions contemplated hereunder (including but not limited to the approval of the Stock Exchange required under the GEM Listing Rules) having been obtained. If any of the conditions above are not fulfilled on or before 20 November 2015 or such later date as may be agreed by the parties in writing, the Second Deed of Amendment will lapse and terminate.

The entering of the Second Deed of Amendment is to provide the Qualifying Shareholders the opportunity to further participate in and share the growth of the Company through the Clawback Offer. The Offerors will offer to the Qualifying Shareholders the Offer Bonds in the principal amount of HK\$498,390,142.968 with Conversion Price of HK\$0.037 per Conversion Share. The Qualifying Shareholders will, on a pro rata basis, have the right to subscribe for every Offer Bonds in the offer price of HK\$0.074 (the “**Offer Price**”) for every one Share held as at the close of business on the Record Date which upon the conversion of such Offer Bonds, there shall be two offer conversion shares (the “**Offer Conversion Shares**”). The see-through price for each Offer Conversion Share is HK\$0.037 and which is the same price as the Conversion Price of HK\$0.037 per Conversion Share.

On the second business day immediately prior to the Settlement Date, the Bondholders shall transfer the Offer Bonds to the relevant purchasers in accordance with the terms of the Prospectus Documents. On the business day next prior to the Settlement Date, the Outstanding Convertible Bonds shall be automatically converted into Conversion Shares. The Company shall allot and issue the Conversion Shares to such purchasers on the Settlement Date.

Pursuant to Rule 34.05 of the GEM Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where alterations take effect automatically under the existing terms of such convertible debt securities. As at the Latest Practicable Date, the Bondholders hold in aggregate approximately 26.61% of the existing issued share capital of the Company. The entering into of the Second Deed of Amendment constitutes a connected transaction of the Company and will be subject to the approval of the Independent Shareholders taken by way of a poll at the EGM. An ordinary resolution will be proposed at the EGM to be held and convened for the Independent Shareholders to consider and if thought fit, approve/ratify the entering into of the Second Deed of Amendment and the transactions contemplated thereunder. All the Bondholders are considered to have a material interest in the Second Deed of Amendment and accordingly all the Bondholders and their respective associates will be required to abstain from voting in respect of the resolution approving the Second Deed of Amendment and the transactions contemplated thereunder at the EGM.

The Board currently comprises three executive Directors, five non-executive Directors and four independent non-executive Directors. The Independent Board Committee, comprising of the four independent non-executive Directors, namely, Mr. Zhang Zhan Liang, Ms. An Jing, Mr. Chen Yicheng and Mr. Kwai Sze Kit, has been established to advise the Independent Shareholders on terms of the Second Deed of Amendment. We have been appointed by the

## LETTER FROM BEIJING SECURITIES

Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Second Deed of Amendment and such appointment has been approved by the Independent Board Committee.

Beijing Securities Limited is not connected with the directors, chief executive or substantial shareholders of the Company or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby Beijing Securities Limited will receive any fees or benefits from the Company or the directors, chief executive or substantial shareholders of the Company or any of their respective associates.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the terms of the Second Deed of Amendment are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the Second Deed of Amendment.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Directors, the Company and its management.

We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.



## LETTER FROM BEIJING SECURITIES

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

### PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the terms of the Second Deed of Amendment to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

#### 1. Background information of the Group

The Group is principally engaged in (i) trading of electronic technology and related products and (ii) low-carbon products applications. It has also positioned itself to provide online media platforms and media advertising business in the future.

Set out below is a summary financial information of the Group for the two years ended 31 December 2014 and for the six months ended 30 June 2015 as extracted from its annual report for the year ended 31 December 2014 (the “**Annual Report**”) and its interim report for the six months ended 30 June 2015 (the “**Interim Report**”).

|                          | <b>For the six<br/>months<br/>ended<br/>30 June<br/>2015<br/>(HK\$'000)<br/>(Unaudited)</b> | <b>For the year ended<br/>31 December<br/>2014<br/>(HK\$'000)<br/>(Audited)</b> | <b>2013<br/>(HK\$'000)<br/>(Audited)</b> |
|--------------------------|---|---|--|
| Revenue                  | 33,771  | 56,540  | 67,836                                   |
| Loss for the period/year | (2,443)   | (18,373)  | (7,922)                                  |

For the year ended 31 December 2014, the Group generated revenue of approximately HK\$56.5 million as compared to approximately HK\$67.8 million for the corresponding prior year, representing a decrease of approximately 16.67%. The revenue was generated from the trading of electronic technology and related products. As disclosed in the Annual Report, the decrease in revenue was mainly due to Boss Dream (China) Limited (“**Boss China**”), a subsidiary of the Company, being involved in a litigation with Zhenjiang New District and which has impacted the business of the Group. Please refer to the announcements of the Company dated 20 February 2013, 21 February 2013, 7 March 2013, 5 April 2013, 15 April 2013, 20 August 2013, 22 October 2013, 29 November 2013 and 24 June 2015 for more information regarding the litigation between Boss China and Zhenjiang New District. In 2014, Boss China did not contribute any revenue to the Group. For the year ended 31 December 2014, the Group also recorded a loss of approximately HK\$18.4 million as compared to a loss of approximately HK\$7.9

## LETTER FROM BEIJING SECURITIES

million for the corresponding prior year. The increase in loss was mainly due to the grant of share option to directors, employees and others amounting to approximately HK\$12.5 million which was recorded as share-based payments expenses.

For the six months ended 30 June 2015, the Group generated revenue of approximately HK\$33.8 million as compared to approximately HK\$26.4 million for the corresponding prior period, representing an increase of approximately 27.90%. The revenue was generated from the trading of electronic technology and related products. As disclosed in the Interim Report, for the six months ended 30 June 2015, Boss China continued to be involved in litigation with Zhenjiang New District. For the six months ended 30 June 2015, Boss China did not contribute any revenue to the Group. However, on 24 June 2015, the Group announced that it has reached a settlement with Zhengjiang New District in relation with its litigation with Boss China. For the six months ended 30 June 2015, the Group also recorded a loss of approximately HK\$2.4 million as compared to a loss of approximately HK\$1.5 million for the corresponding prior period. The slight increase in loss was mainly due to an increase in administrative and other operating expenses.

As at 30 June 2015, the Group had total assets, total liabilities and net assets of approximately HK\$130.5 million, HK\$3.7 million and HK\$126.9 million respectively. According to the Interim Report, components of the total assets of the Group include approximately HK\$12.6 million of cash and bank balances, HK\$57.5 million of prepayments, deposits and other receivables, HK\$11.6 million of trade receivables, HK\$22.8 million of available-for-sale investments.

Looking forward, since Boss China is no longer involved in any legal dispute, the Group will begin to recover the business of Boss China. Furthermore, in the first half of 2015, the Group has continued to expand its business into online media platforms and media advertising business. In the first half of 2015, the Group has entered into various cooperative agreements to operate interactive TV and TV e-commerce platforms. It is expected that these new business initiatives will contribute to the Group in the future.

## **2. Background of the Convertible Bonds**

On 30 December 2009, the Company completed the acquisition of Legend Century Investment Limited, which was principally engaged in the business of optoelectronic, media and advertisement publication in the PRC (the “**Acquisition**”). The aggregate consideration for the Acquisition was HK\$600 million and was satisfied as to HK\$5 million by cash and HK\$595 million by the issuance of the Convertible Bonds to Ocean Space. Upon completion of the Acquisition, the Convertible Bonds was issued to Ocean Space and was subsequently allocated to the Bondholders. Further details of the Acquisition are disclosed in the circular of the Company dated 26 May 2009.

On 18 April 2013, to resolve a dispute between the Company and the Bondholders, the Company entered into the deed of amendment with the Bondholders to (i) extend the maturity date of the Convertible Bonds from 30 December 2012 to 30 December 2015; and (ii) clarify that any outstanding Convertible Bonds not converted on 30 December

## LETTER FROM BEIJING SECURITIES

2015 due to the conversion restrictions will be cancelled. Further details of the deed of amendment entered into on 18 April 2013 are disclosed in the circular of the Company dated 22 May 2013.

### 3. Major terms of and information on the Convertible Bonds

As at the Latest Practicable Date, the outstanding principal amount of Convertible Bonds is HK\$505,596,736 and is held by the Bondholders.

The principal terms of the Convertible Bonds are summarised below.

Outstanding principal amount: HK\$505,596,736

Interest: The Convertible Bonds carry no interest

Maturity Date: 30 December 2015

Conversion: Provided that (i) any conversion of the Convertible Bonds does not trigger a mandatory offer obligation on the part of the Bondholder(s) 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 Bondholders) 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 and (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, the Bondholder(s) may convert in whole or part of the principal amount of the Convertible Bonds into Conversion Shares at the Conversion Price for the period commencing from the date of issue of the Convertible Bonds up to the Maturity Date

Conversion price: The Conversion Price at HK\$0.037 per Conversion Share subject to adjustments as set out below

## LETTER FROM BEIJING SECURITIES

Adjustments:

The adjustments for Conversion Price include the following:

- (i) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;
- (ii) 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);
- (iii) 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 the payment or making of any capital distribution to the Shareholders;
- (iv) 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);
- (v) 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
- (vi) 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

|                                       |
|---------------------------------------|
| <b>LETTER FROM BEIJING SECURITIES</b> |
|---------------------------------------|

|                  |  |
|------------------|--|
| Ranking:         | The Conversion Shares, when allotted and issued, will rank <i>pari passu</i> in all respects with all existing Shares in issue at the date of the allotment and issue of the Conversion Shares   |
| Status:          | The Convertible Bond constitute a direct, general, unconditional and unsecured obligation of the Company and rank <i>pari passu</i> 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(s) may only assign or transfer the Convertible Bonds to the transferee subject to the prior consent of the Company  |
| Voting:          | The Convertible Bonds does not confer any voting rights at any meetings of the Company   |
| 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   |

The table below set out information on the Outstanding Convertible Bonds including (i) the principal amount of the Outstanding Convertible Bonds held by each Bondholder; and (ii) the number of Shares convertible upon full conversion of the Outstanding Convertible Bonds at the Conversion Price of HK\$0.037 per Conversion Share:

| <b>Bondholders</b>        | <b>Principal amount of the Outstanding Convertible Bonds (HK\$)</b> | <b>Number of Conversion Shares to be issued upon full conversion of the Outstanding Convertible Bonds</b> |
|---------------------------|---|---|
| China Technology          | 307,522,000   | 8,311,405,405   |
| Honour Sky <i>(Note)</i>  | 177,683,278   | 4,802,250,756   |
| Ocean Space <i>(Note)</i> | —   | —   |
| Metropower                | 16,792,948  | 453,863,459   |
| Mr. Wong                  | <u>3,598,510</u>  | <u>97,257,027</u>   |
| <b>Total</b>              | <u><u>505,596,736</u></u>   | <u><u>13,664,776,647</u></u>  |

## LETTER FROM BEIJING SECURITIES

*Note:* On 5 October 2015, Ocean Space and Honour Sky entered into the Bond Transfer Agreement pursuant to which Ocean Space agreed to sell and Honour Sky agreed to purchase Convertible Bonds in the principal amount of HK\$36,077,132 at the consideration of HK\$36,077,132. Completion of the Bond Transfer Agreement took place on 8 October 2015. Upon such completion, Honour Sky is interested in the Convertible Bonds in the aggregate principal amount of HK\$177,683,278.

#### **4. The Second Deed of Amendment and the reasons for entering into the Second Deed of Amendment**

On 5 October 2015, the Company and the Bondholders entered into the Second Deed of Amendment to amend the terms of the Outstanding Convertible Bonds in order to (i) remove the lockup period of six months commencing on the date of the allotment and issue of such Conversion Shares; (ii) amend the number of days the Company is required to deliver the share certificates after conversion of the Convertible Bonds from ten business days to one business day after the date of conversion; (iii) remove the restrictions for the conversion and transfer of the Convertible Bonds in multiples of HK\$10,000,000; (iv) amend the terms of the Convertible Bonds such that the Convertible Bonds shall be automatically converted into Conversion Shares on the business day next prior to the Settlement Date; and (v) permit the use of such form of instrument of transfer as the Board may approve for the transfer of the Convertible Bonds. Other than the amended terms above, all other terms of the Convertible Bonds shall remain unchanged and valid and are set out in the section of this letter above.

The Second Deed of Amendment is conditional on (i) the passing by the Independent Shareholders at the EGM to be convened and held, of the necessary resolutions to approve the Second Deed of Amendment and the transactions contemplated thereunder; and (ii) all necessary consents and approvals required to be obtained on the part of the Company and the Bondholders in respect of the Second Deed of Amendment and the transactions contemplated hereunder (including but not limited to the approval of the Stock Exchange required under the GEM Listing Rules) having been obtained. If any of the conditions above are not fulfilled on or before 20 November 2015 or such later date as may be agreed by the parties in writing, the Second Deed of Amendment will lapse and terminate.

As discussed with the Company, the Second Deed of Amendment is to facilitate the Clawback Offer. The Clawback Offer is to provide the Qualifying Shareholders the opportunity to further participate in and share the growth of the Company through the Clawback Offer. The Offerors will offer to the Qualifying Shareholders the Offer Bonds in the principal amount of HK\$498,390,142.968 with Conversion Price of HK\$0.037 per Conversion Share. The Qualifying Shareholders will, on a pro rata basis, have the right to subscribe for every Offer Bonds in the Offer Price of HK\$0.074 for every one Share held as at the close of business on the Record Date which upon the conversion of such Offer Bonds, there shall be two Offer Conversion Shares. The see-through price for each Offer Conversion Share is HK\$0.037 and which is the same price as the Conversion Price of HK\$0.037 per Conversion Share. Further details of the Clawback Offer are set out in this letter below and in the Announcement.

## LETTER FROM BEIJING SECURITIES

Given that (i) the Second Deed of Amendment is to facilitate the Clawback Offer; (ii) the Second Deed of Amendment deals with the implementation logistics of the conversion of the Offer Bonds under the Clawback Offer and does not change any key features of the Convertible Bonds; (iii) in the event that the Outstanding Convertible Bonds are exercised in full without implementing the Clawback Offer, 13,664,776,647 Conversion Shares will be issued and the shareholding interests of the Qualifying Shareholders in the Shares will be diluted significantly (please refer to the sub-section “Effect of the Clawback Offer on the shareholding structure of the Company and reasons for the Clawback Offer” of this letter below); (iv) the Clawback Offer provides an opportunity for the Qualifying Shareholders to purchase the Convertible Bonds, which shall be automatically converted into Conversion Shares, resulting in their shareholding interests in the Company not to be diluted significantly and to further participate in the future growth of the Group; and (v) the terms of the Clawback Offer are fair and reasonable as discussed in the section “Clawback Offer” of this letter below, we are of the view that for the purposes of implementing the Clawback Offer, the approval of the Second Deed of Amendment by the Independent Shareholders at the EGM is necessary and is fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of the Company and the Shareholders as a whole.

### **5. Clawback Offer**

#### *5.1 Principal terms of the Clawback Offer*

Conditional upon and subject to completion of the Second Deed of Amendment, in order to provide the Qualifying Shareholders the opportunity to further participate in and share the growth of the Company, the Offerors will offer to the Qualifying Shareholders the Offer Bonds in the principal amount of HK\$498,390,142.968 with Conversion Price of HK\$0.037 per Conversion Share. The Qualifying Shareholders will, on a pro rata basis, have the right to subscribe for every Offer Bonds in the Offer Price of HK\$0.074 for every one Share held as at the close of business on the Record Date which upon the conversion of such Offer Bonds, there shall be two Offer Conversion Shares. The see-through price for each Offer Conversion Share is HK\$0.037 and which is the same price as the Conversion Price of HK\$0.037 per Conversion Share.

On the second business day immediately prior to the Settlement Date, the Bondholders shall transfer the Offer Bonds to the relevant purchasers in accordance with the terms of the Prospectus Documents. On the business day next prior to the Settlement Date, the Outstanding Convertible Bonds shall be automatically converted into Conversion Shares. The Company shall allot and issue the Conversion Shares to such purchasers on the Settlement Date.

## LETTER FROM BEIJING SECURITIES

### *Offer statistics*

|  |   |  |
|--|---|--|
| Basis of the Clawback Offer  | : | Offer Bonds in the principal amount of HK\$0.074 (or two Offer Conversion Shares upon the conversion of such Offer Bonds) for every one Share held on the Record Date  |
| Number of Shares in issue  | : | 6,735,001,932 Shares   |
| Number of outstanding Share Options  | : | 563,500,000 share options of the Company (“ <b>Share Options</b> ”) entitling the holders thereof to subscribe for 563,500,000 Shares under the share option scheme of the Company. Each of the holders of the Share Options has undertaken to the Company and the Underwriters not to exercise the Share Options prior to the Record Date   |
| Number of Outstanding Convertible Bonds  | : | Convertible Bonds in the aggregate principal amount of HK\$505,596,736. Upon the exercise of the conversion rights attached to the Convertible Bonds 13,664,776,647 Shares shall be allotted and issued. Each of the holders of the Convertible Bonds has undertaken to the Company and the Underwriters not to exercise the conversion rights attached to the Convertible Bonds prior to the Record Date  |
| Principal amount of Offer Bonds undertaken to be taken by Honour Sky, Ocean Space and Morgan Strategic | : | Pursuant to the Underwriting Agreement, (i) Honour Sky has given an irrevocable undertaking in favour of Kingston that Honour Sky will, among other matters, accept its entitlements under the Clawback Offer for Offer Bonds in the aggregate principal amount of HK\$122,167,708.002; and (ii) each of Ocean Space and Morgan Strategic has given an irrevocable undertaking in favour of the Underwriters that each of Ocean Space and Morgan Strategic will, among other matters, accept its entitlements under the Clawback Offer for Offer Bonds in the aggregate principal amount of HK\$10,475,736 and HK\$26,358,800 respectively |



## LETTER FROM BEIJING SECURITIES

|  |   |  |
|--|---|--|
| Principal amount of Offer Bonds underwritten by the Underwriters | : | Offer Bonds in the principal amount of HK\$339,387,898.966, being the total number of the Offer Bonds less the number of the Offer Bonds to be taken up by Honour Sky, Ocean Space and Morgan Strategic pursuant to the undertakings |
| Offer Price  | : | HK\$0.074 for every Offer Bonds in the principal amount of HK\$0.074   |
| Conversion Price   | : | HK\$0.037 per Conversion Share   |

Further details of the terms of the Clawback offer are set out in the Announcement.

The Clawback Offer is fully underwritten. The Underwriters have agreed to underwrite Offer Bonds in the principal amount of HK\$339,387,898.966. Kingston has entered into sub-underwriting agreements with each of the Sub-underwriters and such sub-underwriting arrangements have been confirmed such that (i) Kingston shall not purchase, for its own account, for such number of untaken Offer Bonds which upon conversion will result in the shareholding of it and parties acting in concert with it in the Company to exceed 19.99% of the voting rights of the Company upon the completion of the Clawback Offer; and (ii) Kingston shall use its best endeavours to ensure that each of the purchasers of the untaken Offer Bonds procured by it (1) shall be Independent Third Party; and (2) save for Kingston itself and its associates, shall not, hold 10.0% or more of voting rights of the Company upon completion of the Clawback Offer.

As at the Latest Practicable Date, save for the share options of the Company and the Convertible Bonds, there were no other convertible or exchangeable securities of the Company outstanding.

## LETTER FROM BEIJING SECURITIES

### 5.2 *The effect of the Clawback Offer on the shareholding structure of the Company and reasons for the Clawback Offer*

The following is a table setting out the shareholding structures of the Company as at the Latest Practicable Date and upon completion of the Clawback Offer:

| Shareholders  | As at the Latest Practicable Date |                      | Immediately after the completion of the Clawback Offer assuming that all Qualifying Shareholders have taken up their entitlement in full and automatic conversion of the Outstanding Convertible Bonds in full |                      | Immediately after completion of the Clawback Offer assuming that none of the Qualifying Shareholder has taken up their entitlements and automatic conversion of the Outstanding Convertible Bonds in full |                      |
|---|-----------------------------------|----------------------|--|----------------------|---|----------------------|
|   | Number of Shares                  | Approximate %        | Number of Shares   | Approximate %        | Number of Shares  | Approximate %        |
| <i>Mr. Xiang and parties acting in concert with him</i> |                                   |                      |  |                      |   |                      |
| Honour Sky  | 1,650,914,973                     | 24.51                | 5,147,517,702  | 25.23                | 5,693,201,596   | 27.91                |
| Ocean Space   | <u>141,564,000</u>                | <u>2.10</u>          | <u>424,692,000</u>   | <u>2.08</u>          | <u>424,692,000</u>  | <u>2.08</u>          |
| <b>Subtotal</b>   | 1,792,478,973                     | 26.61                | 5,572,209,702  | 27.31                | 6,117,893,596   | 29.99                |
| Kingston  | —                                 | —                    | —  | —                    | 2,126,962,024   | 10.43                |
| <i>Public Shareholders</i>                              |                                   |                      |  |                      |   |                      |
| Morgan Strategic  | 356,200,000                       | 5.29                 | 1,068,600,000  | 5.24                 | 1,068,600,000   | 5.24                 |
| Sub-underwriters  | 98,272,000                        | 1.46                 | 294,816,000  | 1.45                 | 6,598,272,000   | 32.34                |
| Other public Shareholders                               | <u>4,488,050,959</u>              | <u>66.64</u>         | <u>13,464,152,877</u>  | <u>66.00</u>         | <u>4,488,050,959</u>  | <u>22.00</u>         |
| <b>Total</b>  | <u><u>6,735,001,932</u></u>       | <u><u>100.00</u></u> | <u><u>20,399,778,579</u></u>   | <u><u>100.00</u></u> | <u><u>20,399,778,579</u></u>  | <u><u>100.00</u></u> |

As at the Latest Practicable Date, there are 6,735,001,932 Shares in issue of which 4,488,050,959 Shares, representing approximately 66.64% of the issued share capital of the Company, are held by the other public Shareholders (excluding the Shares held by Morgan Strategic and the Sub-underwriters).

As set out in sections above, the Conversion Price of the Outstanding Convertible Bonds is HK\$0.037 and in the event that the Outstanding Convertible Bonds are exercised in full, 13,664,776,647 Conversion Shares will be issued. Under such a scenario and if the Clawback Offer is not implemented, the shareholding interests of the other public shareholders will be diluted from approximately 66.64% to approximately 22.00%.

Given that the Clawback Offer provides all the Qualifying Shareholders an opportunity to purchase the Convertible Bonds, which shall be automatically converted into Conversion Shares, resulting in their shareholding interests in the Company not to be diluted significantly and to further participate in the future growth of the Group, we are of the view that the implementation of the Clawback Offer is in the interest of the Independent Shareholders.

### ***5.3 The Offer Price***

The Offerors will offer to the Qualifying Shareholders the Offer Bonds in the principal amount of HK\$498,390,142.968 with Conversion Price of HK\$0.037 per Conversion Share. The Qualifying Shareholders will, on a pro rata basis, have the right to subscribe for every Offer Bonds in the Offer Price of HK\$0.074 for every one Share held as at the close of business on the Record Date which upon the conversion of such Offer Bonds, there shall be two Offer Conversion Shares. The see-through price for each Offer Conversion Share is HK\$0.037 (the “**Offer Conversion Price**”) and which is the same price as the Conversion Price of HK\$0.037 per Conversion Share. The Offer Price is payable in full upon application for the Offer Bonds under the Clawback Offer.

As set out in the Announcement, the Offer Price has been determined based on arm’s length negotiations between the Offerors and the Underwriters with reference to the face value of the Offer Bonds. The Clawback Offer allows all Qualifying Shareholders the opportunity to participate in the growth of the Company and will broaden shareholders’ base of the Company without diluting the respective shareholdings of the Shareholders.

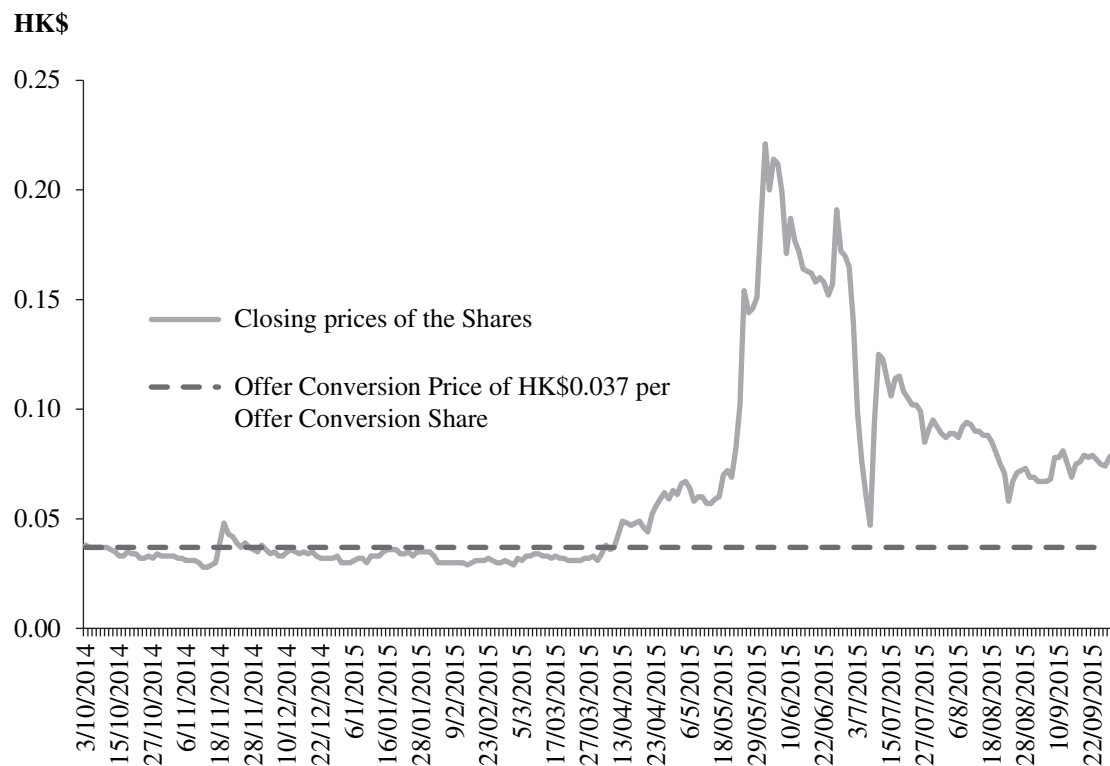
The Offer Conversion Price of HK\$0.037 per Offer Conversion Share represents:

- (i) a discount of approximately 54.88% to the closing price of HK\$0.082 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 53.16% to the average of the closing prices of Shares for five consecutive trading days up to and including the Last Trading Day of HK\$0.079; and
- (iii) a premium of approximately 94.74% over the audited consolidated net assets value per Share of approximately HK\$0.019 as at 30 June 2015.

In addition to the analysis above, we have also reviewed the share price performance of the Company from 6 October 2014 (being a 12-month period prior to the Last Trading Day) up to and including the Last Trading Day (the “**Share Price Review Period**”).

## LETTER FROM BEIJING SECURITIES

Set out below is the movement of the closing prices of the Shares during the Share Price Review Period in relation to the Offer Conversion Price:



*Source: website of the Stock Exchange*

As illustrated in the chart above, the closing prices of the Shares ranged from HK\$0.028 per Share to HK\$0.221 per Share during the Share Price Review Period. The Offer Conversion Price represents a premium of approximately 32.14% over such lowest closing price of the Shares and a discount of approximately 83.26% to such highest closing price of the Shares. In addition, the average closing price of the Shares during the Share Price Review Period was approximately HK\$0.065 per Share. Therefore, the Offer Conversion Price represents a discount of approximately 43.08% to such average closing price of the Shares.

Furthermore, we note that the closing prices of the Shares have been equal to or above the Offer Conversion Price since 1 April 2015, being more than 6 months away from the Last Trading Day. In addition, the Offer Conversion Price represents a discount of approximately 54.88% to the closing price of HK\$0.082 per Share as quoted on the Stock Exchange on the Last Trading Day.

Having considered the Offer Conversion Price (i) represents a significant discount to the Last Trading Day, the five consecutive trading days up to and including the Last Trading Day and the average closing price of the Shares during the Share Price Review Period; (ii) is below the closing prices of the Shares since 1

## LETTER FROM BEIJING SECURITIES

April 2015 during the Share Price Review Period; and (iii) is the same price as the Conversion Price, we consider that terms of the Clawback Offer are fair and reasonable so far as the Independent Shareholders are concerned.

### RECOMMENDATIONS

Having considered the principal factors discussed above and, in particular the following:

- (i) the Second Deed of Amendment is for the purposes of implementing the Clawback Offer;
- (ii) the Second Deed of Amendment deals with the implementation logistics of the conversion of the Offer Bonds under the Clawback Offer and does not change any key features of the Convertible Bonds;
- (iii) if the Outstanding Convertible Bonds are exercised in full without implementing the Clawback Offer, the shareholding interests of the Qualifying Shareholders in the Shares will be diluted significantly;
- (iv) the Clawback Offer provides an opportunity for the Qualifying Shareholders to purchase the Convertible Bonds, which shall be automatically converted into Conversion Shares, resulting in their shareholding interests in the Company not to be diluted significantly and to further participate in the future growth of the Group;
- (v) the Offer Conversion Price represents a significant discount to the Last Trading Day, the five consecutive trading days up to and including the Last Trading Day and the average closing price of the Shares during the Share Price Review Period; and
- (vi) the Offer Conversion Price is the same price as the Conversion Price,

we consider the terms of the Second Deed of Amendment are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to approve the Second Deed of Amendment at the EGM.

Yours faithfully,  
For and on behalf of  
**Beijing Securities Limited**  
**Charles Li**  
*Director*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors 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 Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular 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 circular misleading.

## 2. DISCLOSURE OF INTERESTS

### Directors' and chief executives' interests in securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executives of the Company 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:

| Name                | Nature of interest                      | No. of Shares held            | No. of underlying Shares from the outstanding Convertible Bonds | Number of underlying Shares from Share Options | Total interests   | Approximate total percentage of the issued share capital |
|---------------------|---|-------------------------------|---|--|-------------------|--|
| Mr. Xiang           | Interest of spouse/<br>Beneficial owner | 1,650,914,973 (L)<br>(note 2) | 4,802,250,756 (L)<br>(note 2)                                   | 60,000,000 (L)                                 | 6,513,165,729 (L) | 96.71%   |
| Sun Kuan Chi        | Beneficial owner                        | —                             | —   | 30,000,000 (L)                                 | 30,000,000 (L)    | 0.45%  |
| Zhang Zhan<br>Liang | Beneficial owner                        | —                             | —   | 30,000,000 (L)                                 | 30,000,000 (L)    | 0.45%  |
| An Jing             | Beneficial owner                        | —                             | —   | 30,000,000 (L)                                 | 30,000,000 (L)    | 0.45%  |
| Chen Yicheng        | Beneficial owner                        | —                             | —   | 30,000,000 (L)                                 | 30,000,000 (L)    | 0.45%  |
| Zhong Keying        | Beneficial owner                        | —                             | —   | 19,500,000 (L)                                 | 19,500,000 (L)    | 0.29%  |

*Notes:*

- The letter "L" denotes the long position in the Shares.
- The 1,650,914,973 Shares and the 4,802,250,756 underlying Shares are held by Honour Sky. Ms. Kung Ching, the spouse of Mr. Xiang, is the ultimate beneficial owner of Honour Sky. Mr. Xiang is therefore taken to be interested in the Shares and the underlying Shares of Ms. Kung Ching.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures 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.

### 3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2014, being the date to which the latest published audited financial statements of the Group were made up.

### 4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in business which competes or is likely to compete, either directly or indirectly, with the business of the Group or has any other conflict of interest with the Group.

### 5. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS

Save for the Second Deed of Amendment, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2014, being the date to which the latest published audited financial statements of the Group were made up or were proposed to be acquired or disposed of by or leased to any member of the Group. None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

### 6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

### 7. EXPERT'S QUALIFICATION AND CONSENT

The following are the qualification of the expert who has given opinions or advice which are contained in this circular:

| <b>Name</b>        | <b>Qualifications</b>   |
|--------------------|---|
| Beijing Securities | a licensed corporation under the SFO authorised to carry out regulated activities of type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) |

As at the Latest Practicable Date, Beijing Securities:

- (a) did not have any direct or indirect interests in any assets which have been, since 31 December 2014 (being the date to which the latest published audited accounts of the Group were made up) acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Beijing Securities has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or statement and references to its name in the form and context in which they appears in this circular.

## **8. MISCELLANEOUS**

- (a) 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.
- (b) The Company's Hong Kong branch share registrar and transfer office is Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.
- (c) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in case of any inconsistency.

## **9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be made available for inspection during normal business hours on Business Days at the office of the Company at 26/F., No. 9 Des Voeux Road West, Sheung Wan, Hong Kong from the date of this circular up to and including 20 November 2015 and at the EGM:

- (a) the instrument constituting the Convertible Bonds;
- (b) the Second Deed of Amendment;
- (c) the Bond Transfer Agreement;
- (d) the letter from Beijing Securities to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 19 to 34 in this circular;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 17 to 18 in this circular; and
- (f) this circular.



## NOTICE OF EGM



### 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)

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of the shareholders (the “**Shareholders**”) of China Trends Holdings Limited (the “**Company**”) will be held at 26/F., No. 9 Des Voeux Road West, Sheung Wan, Hong Kong on Monday, 23 November 2015 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

#### **ORDINARY RESOLUTION**

##### **“THAT**

- (a) the conditional second deed of amendment (the “**Second Deed of Amendment**”) dated 5 October 2015 (a copy of the Second Deed of Amendment is marked “A” and produced to the EGM and signed by the chairman of the EGM for identification purpose) and entered into among the Company, China Technology Education Trust Association, Honour Sky International Limited, Ocean Space Development Limited, Metropower Holdings Limited and Wong Chak Keung (collectively, the “**Bondholders**”) to (i) remove the lockup period of six months commencing on the date of the allotment and issue of such new share(s) of the Company (the “**Conversion Shares**”) to be allotted and issued upon exercise of the conversion rights attached to the convertible bonds (the “**Convertible Bonds**”) in the initial principal amount of HK\$595,000,000 issued by the Company on 30 December 2009; (ii) amend the number of days the Company is required to deliver the share certificates after conversion of the Convertible Bonds from ten business days to one business day after the date of conversion; (iii) remove the restrictions for the conversion and transfer of the Convertible Bonds in multiples of HK\$10,000,000; (iv) amend the terms of the Convertible Bonds such that the Convertible Bonds shall be automatically converted into Conversion Shares on the business day next prior to the settlement date; and (v) permit the use of such form of instrument of transfer as the Board may approve for the transfer of the Convertible Bonds and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

## NOTICE OF EGM

- (b) any one or more director(s) of the Company be and is/are hereby authorised to implement and take all steps and do all acts and things and execute all such documents (including under seal) which he/she/they consider necessary or expedient to give effect to the Second Deed of Amendment and the transactions contemplated thereunder.”

By order of the Board  
**China Trends Holdings Limited**  
**Xiang Xin**  
*Chairman and Chief Executive Officer*

Hong Kong, 6 November 2015

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Head office and principal place of  
business in Hong Kong:*

26/F, No. 9 Des Voeux Road West  
Sheung Wan  
Hong Kong

*Notes:*

1. Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote on his behalf. A shareholder of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy needs not be a shareholder of the Company.
2. A form of proxy for use at the EGM is enclosed herewith. Whether or not you are able to attend and vote at the EGM or at any adjournment (as the case may be) in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjournment (as the case may be) thereof should you so wish. In the event that you attend the EGM after having returned the completed form of proxy, your form of proxy will be deemed to have been revoked.
3. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or at any adjournment (as the case may be) thereof.
4. In the case of joint registered holders of any share(s) of the Company, any one of such joint holders may attend and vote at the EGM or at any adjourned meeting thereof (as the case may be), either in person or by proxy, in respect of such share(s) as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the EGM or at any adjourned meeting thereof (as the case may be), the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.