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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)

**PLACING OF CONVERTIBLE NOTES
IN THE PRINCIPAL AMOUNT OF UP TO
HK\$1,560,000,000 UNDER SPECIFIC MANDATE**

PLACING AGENT



VC BROKERAGE LIMITED

滙盈證券有限公司

VC Brokerage Limited

On 30 December 2016 (after trading hours of the Stock Exchange), the Company entered into the conditional Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has agreed to act as placing agent of the Company, on a best effort basis, for the purpose of arranging Places for the Convertible Notes subject to the terms and conditions provided in the Placing Agreement.

The initial Conversion Price represents (i) a premium of approximately 117.65% over the closing price of HK\$0.017 per Share as quoted on the Stock Exchange on 30 December 2016, being the date of the Placing Agreement; and (ii) a premium of approximately 128.40% over the average of the closing prices of HK\$0.0162 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including 30 December 2016. The Conversion Price was arrived at after arm's length negotiations between the Company and the Placing Agent, taking into account of, among others, the recent trading performance of the Shares and the financial position of the Group. The Directors consider that the Conversion Price and the terms and conditions of the Placing Agreement and the Convertible Notes are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

On the assumption that all the Convertible Notes would be converted into Conversion Shares in full at the initial Conversion Price, the 42,162,162,162 Conversion Shares represent

approximately 98.72% of the existing issued share capital of the Company and approximately 49.68% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares. The net proceeds of the Placing of approximately HK\$1,513,200,000 will be applied towards payment of the consideration for the Potential Acquisition.

A circular containing, among others, details of the Placing Agreement and the Convertible Notes and the notice of EGM will be despatched to the Shareholders as soon as practicable in compliance with the GEM Listing Rules.

PLACING AGREEMENT

On 30 December 2016 (after trading hours of the Stock Exchange), the Company entered into the conditional Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has agreed to act as placing agent of the Company, on a best effort basis, for the purpose of arranging Placees for the Convertible Notes subject to the terms and conditions provided in the Placing Agreement.

Date: 30 December 2016 (after trading hours of the Stock Exchange)

Parties:

- (i) The Company as issuer
- (ii) The Placing Agent as placing agent

The Placing

Pursuant to the Placing Agreement, the Company agreed to issue and the Placing Agent agreed to procure, on a best effort basis, not less than six (6) Placees (who will be independent professional or institutional investor or other investors) to subscribe in cash for the Convertible Notes of up to an aggregate principal amount of HK\$1,560,000,000 at the issue price of 100% of the principal amount of the Convertible Notes. It is expected that the Placees and if applicable their ultimate beneficial owners are Independent Third Parties

Principal Terms of the Convertible Notes

Principal amount: Up to HK\$1,560,000,000.

Interest rate: The Convertible Notes shall carry a coupon interest of 1% per annum, payable on the Maturity Date.

Maturity date: The date of maturity of the Convertible Notes shall be the date falling on the third anniversary of the date of issue of the Convertible Notes. Unless previously redeemed, repurchased and cancelled or converted, any outstanding Convertible Notes shall be redeemed at 100% of its principal amount on the Maturity Date.

Ranking: The Convertible Notes constitute general and unsecured obligations of the Company and rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company.

Conversion: Provided that (i) any conversion of the Convertible Note, if applicable, together with any Shares already owned or agreed to be acquired by the holder of the Convertible Note and/or parties acting in concert with he/she/it, do not exceed 19.99% of the then issued ordinary share capital of the Company; (ii) any conversion of the Convertible Note does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder of the Convertible Note 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 Note (if applicable, including any Shares acquired by the parties acting in concert with the holder(s) of the Convertible Note) 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; (iii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the GEM Listing Rules) of the issued Shares of the Company at any one time in compliance with the GEM Listing Rules and (iv) both the closing price of the Shares as quoted on the Stock Exchange on the date of conversion of the Convertible Notes and the average closing price of the Shares as quoted on the Stock Exchange for the five Business Days immediately preceding the date of conversion of the Convertible Notes are not less than HK\$0.10, the holder of the Convertible Notes will have the right to convert the whole or part of the principal amount of the Convertible Notes into Conversion Shares from the date of the issue of the Convertible Notes to the Maturity Date in amounts of not less than a whole multiple of HK\$20,000,000 on each conversion.

Conversion Price: The Conversion Price is initially HK\$0.037 per Conversion Share, subject to adjustment for, among other matters, subdivision or consolidation of Shares, rights issue, extraordinary stock or cash distribution, and other dilutive events (which are general anti-dilution adjustment).

Voting: The holder(s) of the Convertible Notes will not be entitled to attend or vote at any general meeting of the Company by reason only of it being the holder(s) of the Convertible Notes.

Transfer: With the prior consent to the Company, the Convertible Notes may be transferable in whole multiples of HK\$20,000,000 (or such lesser amount as may represent the entire principal amount thereof).

Based on the initial Conversion Price of HK\$0.037 per Conversion Share, a maximum number of 42,162,162,162 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Notes in full, which represent: (i) approximately 98.72% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 49.68% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Notes in full.

The Conversion Shares will rank pari passu in all respects with the Shares in issue as at the date of allotment and issue of the Conversion Shares.

Conversion Price

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

- (i) a premium of approximately 117.65% over the closing price of HK\$0.017 per Share as quoted on the Stock Exchange on 30 December 2016, being the date of the Placing Agreement; and
- (ii) a premium of approximately 128.40% over the average of the closing prices of HK\$0.0162 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 30 December 2016.

The net Conversion Price, after deduction of relevant expenses, is approximately HK\$0.0359 per Conversion Share.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Placing Agent, taking into account of, among others, the recent trading performance of the Shares and the financial position of the Group. The Directors consider that the Conversion Price and the terms and conditions of the Placing Agreement and the Convertible Notes are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mandate to issue the Conversion Shares

The Conversion Shares will be allotted and issued pursuant to the specific mandate to be sought from the Shareholders at the EGM.

Conditions of the Placing Agreement

The Placing is conditional upon:

- (a) all necessary authorisations, consents, licences, agreements, approvals or permissions of any kind of, from or by third parties and/or government or regulatory authorities (if any) including but not limited to the Stock Exchange, the SFC and approval under the International Traffic in Arms Regulations (ITAR) required under or in connection with the Placing and the Potential Acquisition having been obtained on terms satisfactory to the Placing Agent and remaining in full force and effect;
- (b) the passing of an ordinary resolution by the Shareholders to approve the Placing Agreement and the transactions contemplated thereunder, including but not limited to the creation and issue of the Convertible Notes under the Placing and the allotment and issue of the Conversion Shares at the EGM;
- (c) the passing of an ordinary resolution by the Shareholders to approve the Potential Acquisition at a general meeting of the Company;
- (d) the GEM Listing Committee granting approval for the listing of, and permission to deal in the Conversion Shares on the Stock Exchange and the approval not having been subsequently revoked or cancelled; and
- (e) the Company's representations and warranties made pursuant to the Placing Agreement remaining true and accurate and not misleading as of the date of the Placing Agreement and the Closing Date.

In the event that the conditions of the Placing are not fulfilled on or before 30 June 2017 (or such later date as the Company and the Placing Agent may agree in writing), all obligations of the Placing Agent and of the Company under the Placing Agreement shall cease and determine and none of the parties thereto shall have any claim against the other in relation thereto save for any antecedent breach of any obligations under the Placing Agreement and without prejudice to the accrued rights and liabilities of the parties thereto.

Termination of the Placing Agreement

If at any time between the date of the Placing Agreement and at 5:00 p.m. on the Closing Date, there occurs:

- (a) the introduction of any new law or regulation or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company; or
- (b) the occurrence of any local, national or international event or change occurring after the date of the Placing Agreement of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the reasonable opinion of

the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company or adversely prejudices the success of the Placing (such success being the completion of the placing of the Convertible Note to potential investor(s)) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or

- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs after the date of the Placing Agreement which materially and adversely affects the success of the Placing (such success being the completion of the placing of the Convertible Note to potential investor(s)) or otherwise in the reasonable opinion of the Placing Agent make it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing; or
- (d) the Company commits any material breach of or omits to observe any of its obligations or undertakings under the Placing Agreement; or
- (e) any of the representations or warranties contained in the Placing Agreement was, when given or deemed to be repeated under the Placing Agreement, untrue or inaccurate in any respect or would in any respect be untrue or inaccurate, or if repeated the Placing Agent shall determine in its reasonable opinion that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Company or will otherwise likely to have a material prejudicial effect on the Placing,

then the Placing Agent may upon giving notice to the Company terminate the Placing Agreement with immediate effect.

Completion of the Placing

Completion of the Placing shall take place on the third Business Day after the conditions precedent have been fulfilled or such other date as the Company and the Placing Agent may agree in writing.

Placing commission

In consideration of the services of the Placing Agent in connection with the Placing, the Company shall pay the Placing Agent a placing commission of 3% of the amount equal to the principal amount of the Convertible Notes which the Placing Agent has successfully procured subscribers for the Convertible Notes under the Placing Agreement.

The Company shall reimburse the out-of-pocket expenses (except legal fees) incurred by the Placing Agent in respect of the Placing.

The placing commission was negotiated on an arm's length basis between the Company and the Placing Agent and determined with reference to, amongst other things, the market rate.

The Directors consider that the placing commission is fair and reasonable based on the current market conditions.

Application for listing

Application will be made by the Company to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No application will be made for listing of, or permission to deal in, the Convertible Notes on the Stock Exchange or any other stock exchange.

REASONS FOR AND BENEFITS OF THE PLACING

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 product solutions and provide online media platforms and media advertising business.

Reference is made to the announcements of the Company dated 25 November 2016, 4 December 2016 and 5 December 2016, in relation to the acquisition of the entire issued shares in Skynet. As set out such announcement, Skynet entered into a memorandum of understanding with Thuraya, a mobile satellite service operator and a global telecommunication service provider, in relation to the potential investment in Thuraya and its next generation project. Upon completion of the acquisition of the entire issued shares in Skynet, Skynet will become an indirect wholly owned subsidiary of the Company and the Group intends to enter into an agreement with Thuraya and/or its shareholders to acquire equity interests in Thuraya.

The Directors consider raise funds by issuing Convertible Notes is justifiable considering the recent favourable market conditions which represent an opportunity for the Company to raise capital to fund the Potential Acquisition. The Directors consider that the issue of the Convertible Notes is an appropriate means of raising additional capital for the Company since it will not have an immediate dilution effect on the shareholding of the existing Shareholders.

On the assumption that all Convertible Notes of HK\$1,560,000,000 having been placed under the Placing, the gross proceeds of the Placing will be approximately HK\$1,560,000,000. The net proceeds of the Placing of approximately HK\$1,513,200,000 will be applied towards payment of the consideration for the Potential Acquisition.

The Directors consider that the Placing Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Placing Agent and that the terms and conditions of the Placing Agreement are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned. The Directors also consider that the Placing will strengthen the financial position of the Group.

CHANGES OF SHAREHOLDING STRUCTURE

The changes of the shareholding structure of the Company as at the date of this announcement and upon full conversion of the Convertible Notes at the initial Conversion Price are as follows:

Shareholders	At the date of this announcement	Upon full conversion of the Convertible Notes at the initial Conversion Price
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	<i>Number of Shares</i>	<i>Approximate percentage</i>	<i>Number of Shares</i>	<i>Approximate percentage</i>
Honour Sky International Limited (<i>Note 1</i>)	10,783,683,830	25.25%	10,783,683,830	12.71%
Kuan Hsin Huei (<i>Note 2</i>)	1,637,440,000	3.83%	1,637,440,000	1.93%
Ruan Xiaoping (<i>Note 2</i>)	1,500,000,000	3.51%	1,500,000,000	1.77%
Yu Bin (<i>Note 2</i>)	988,160,000	2.31%	988,160,000	1.16%
Chen Yingjiu (<i>Note 2</i>)	602,400,000	1.41%	602,400,000	0.71%
Zheng Yan (<i>Note 2</i>)	581,120,000	1.36%	581,120,000	0.68%
Wang Jianjun (<i>Note 2</i>)	300,000,000	0.70%	300,000,000	0.35%
The holder(s) of the Convertible Notes (<i>Note 3</i>)	-	-	42,162,162,162	49.68%
Other public Shareholders	26,317,264,366	61.62%	26,317,264,366	31.01%
Total:	<u>42,710,068,196</u>	<u>100.00%</u>	<u>84,872,230,358</u>	<u>100.00%</u>

Notes:

- Honour Sky International Limited is a private company wholly and beneficially owned by China Technology Education Trust Association (the “**Trust Association**”). Accordingly, the Trust Association is interested in the Shares and the underlying Shares of the Company held by Honour Sky International Limited. The Trust Association is a society registered under the provisions of section 5A(1) of the Societies Ordinance in 2005, which is a charitable society providing charity and financial aid to education and employment in Hong Kong and Mainland China. Mr. Xiang Xin, an executive Director, is a chairman of the Trust Association.
- According to the disclosure of interest of the Stock Exchange, Kuan Hsin Huei, Ruan Xiaoping, Yu Bin, Chen Yingjiu, Zheng Yan and Wang Jianjun are the parties acting in concert (the “Current Purported Consortium”) and each of them is interested in approximately 17.64% (including interest of shares, warrants and parties acting in concert) of the total issued share capital of the Company. As set out in the announcement of the Company dated 28 October 2016, the Company had invoked the investigation power under section 329 of SFO on 11 October 2016, by appointing and authorising Wilkinson & Grist, an independent legal adviser, to send notices to, among others: (a) members of the Current Purported Consortium; or (b) custodian banks or brokers (the “**Intermediaries**”). Based on the results of the investigation, it was noted that the declared interests of member of the Current Purported Consortium to date above were inconsistent with the results obtained by the Company from the investigation against the Intermediaries. The Company has fulfilled and will continue to fulfil its duty under section 330 of the SFO to inform the SFC and the Stock Exchange of any information the Company has received or receives during the investigation process.
- It is expected that none of the Placee(s) will become a substantial Shareholder as a result of the Placing.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

Date of announcement	Event	Gross proceeds (approximately)	Intended use of net proceeds	Actual use of net proceeds
31 December 2015 and 29 March 2016	Issue of 8,159,911,432 bonus warrants at an initial subscription price of HK\$0.0125 per bonus warrant	of HK\$102 million upon the exercise of the subscription rights attached to the bonus warrants.	The net proceeds from the exercise of the subscription rights attached to the bonus warrants will be used for general working	The net proceeds has been applied as intended.

share, subject to adjustment.

capital and business development purposes.

Save as disclosed above, the Company has not conducted any other equity fund raising activities in the past twelve months immediately preceding the date of this announcement.

GENERAL

To the best of the Directors' knowledge, information and belief, no Shareholders have a material interest in the Placing Agreement and accordingly no Shareholders shall be required to abstain from voting at the EGM.

A circular containing, among others, details of the Placing Agreement and the Convertible Notes and the notice of EGM will be despatched to the Shareholders as soon as practicable in compliance with the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Board”	the board of Directors
“Business Day”	any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks generally are open for general banking business in Hong Kong
“Closing Date”	the third Business Day after fulfilment of the conditions precedent under the Placing Agreement or such other date as the Company and the Placing Agent may agree in writing
“Company”	China Trends Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed to this term under the GEM Listing Rules
“Conversion Price”	the conversion price per Conversion Share and initially at HK\$0.037 per Conversion Share (subject to adjustments)
“Conversion Shares”	the Shares to be allotted and issued upon conversion of the Convertible Notes

“Convertible Notes”	the three-year 1% coupon unlisted convertible notes in principal amount of up to HK\$1,560,000,000 to be issued by the Company in accordance with the terms of the Placing Agreement
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and approve the Placing Agreement and the transactions 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
“Independent Third Party(ies)”	an independent third party, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, who is not connected with the Company and its connected persons
“Maturity Date”	the date of maturity of the Convertible Notes, being the date falling on the third anniversary of the date of issue of the Convertible Notes.
“Placee”	any individual, institutional or other professional investor procured by the Placing Agent to subscribe any of the Convertible Notes pursuant to the Placing Agreement
“Placing”	the placing of the Convertible Notes by the Company, through the Placing Agent, pursuant to the Placing Agreement
“Placing Agreement”	the placing agreement dated 30 December 2016 and entered into between the Company and the Placing Agent in relation to the placing of the Convertible Notes
“Placing Agent”	VC Brokerage Limited, a licensed corporation to carry on type 1 and 4 regulated activities (dealing in securities and advising on securities) under the SFO
“Potential Acquisition”	the potential acquisition of equity interests in Thuraya by the Group
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Skynet”	Skynet Satellite Data Limited, a company incorporated in Hong Kong with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Thuraya”	Thuraya Telecommunications Company, a company incorporated in the United Arab Emirates with limited liability
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“%”	per cent.

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

Hong Kong, 30 December 2016

As at the date of this announcement, the executive Directors are Mr. Xiang Xin (Chairman) and Mr. Chan Cheong Yee; the independent non-executive Directors are Ms. An Jing, Mr. Chen Yicheng and Mr. Wong Chung Kin, Quentin. Ms. Kung Ching is an alternate director to Mr. Xiang Xin.

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

This announcement will remain on GEM website on the “Latest Company Announcements” page for at least 7 days from the date of its posting and the Company website at www.8171.com.hk.