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**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 the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

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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 DEED OF AMENDMENT ON OUTSTANDING CONVERTIBLE BONDS AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

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A notice convening the extraordinary general meeting (the “EGM”) of the Company to be held and convened at 26/F., No. 9 Des Voeux Road West, Sheung Wan, Hong Kong on Friday, 14 June 2013 at 11:00 a.m. is set out on pages 40 to 41 of this circular. A form of proxy for the EGM is enclosed herein. 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 and deposit the same at the office of the branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at 18/F., Fook Lee Commercial Centre, 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. 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.

*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.*

22 May 2013

**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, the following expressions have the following meanings unless the context requires otherwise:*

“Adjusted Conversion Price”	HK\$0.037 per Conversion Share, being the adjusted Conversion Price after taking into account of the Rights Issue, adopted upon conversion of the CB as at 9 July 2010
“associates”	has the meaning ascribed to this term under the GEM Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the CB from time to time
“2009 CB Circular”	the circular of the Company dated 26 May 2009 in relation to Sale and Purchase Agreement entered into between the Company and Ocean Space
“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
“Conversion Price”	the initial conversion price of HK\$0.125 per Conversion Share, subject to adjustments, pursuant to the terms of the CB
“Conversion Share(s)”	new Share(s) to be allotted and issued upon exercise of the conversion rights attached to the CB
“CB”	the convertible bond in the agreed form in the principal amount of HK\$595,000,000 issued on 30 December 2009, details and principal terms of which are set out in the announcement of the Company dated 13 March 2009 and the 2009 CB Circular
“CB Certificate”	the certificate of the CB dated 30 December 2009 evidencing the CB
“CB Instrument”	the instrument of the CB dated 30 December 2009 constituting the CB

## DEFINITIONS

“Deed of Amendment”	the conditional deed of amendment entered into between the Company and the Bondholders dated 18 April 2013 to, inter alia, extend the Maturity Date of the Outstanding CB for 3 years from 30 December 2012 to 30 December 2015 and clarify that any outstanding principal amount of the CB not converted on the Revised Maturity Date due to the conversion restrictions (as defined in the CB Instrument) will be cancelled
“Director(s)”	the director(s) of the Company
“Dispute Clause”	the clause set out in the 2009 CB Circular and added to the CB Instrument and the CB Certificate on 30 December 2009 subsequent to the date of the Sale and Purchase Agreement, which is alleged to be without prior consent from the Bondholders that “For the avoidance of doubts, if any of the outstanding principal amount of the Bond cannot be converted into Shares due to the Conversion Restrictions, such outstanding principal amount of the Bond will be cancelled at the Maturity Date”
“EGM”	the extraordinary general meeting of the Company to be held and convened on Friday, 14 June 2013 for the Independent Shareholders to consider and, if thought fit, approve/ratify the entering into of the Deed of Amendment and the transactions contemplated thereunder
“GEM”	Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Honour Sky”	Honour Sky International Limited, a company incorporated in the British Virgin Islands with limited liability and Mr. Xiang is the sole director of such company and Mr. Xiang and his spouse, Ms. Kung Ching, are the ultimate beneficiaries of such company
“Independent Board Committee”	the independent committee of the Board, comprising Mr. Zhang Zhan Liang, Ms. An Jing and Mr. Chen Yicheng, formed for the purpose to advise the Independent Shareholders on the terms of the Deed of Amendment and as to voting

## DEFINITIONS

“Independent Financial Adviser” or “Beijing Securities”	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), appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Deed of Amendment
“Independent Shareholders”	Shareholders other than the Bondholders and their respective associates
“Latest Practicable Date”	16 May 2013, the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Maturity Date”	30 December 2012, being the original maturity date of which the CB became due
“Mr. Xiang”	Xiang Xin, an executive Director
“Ocean Space”	Ocean Space Development Limited, a company incorporated in the British Virgin Islands and the vendor under the Sale and Purchase Agreement
“Outstanding CB”	the CB with an outstanding principal amount of HK\$505,596,736 held by the Bondholders
“PRC”	the People’s Republic of China
“Revised Maturity Date”	30 December 2015, being the revised maturity date for the Outstanding CB set out in the Deed of Amendment
“Rights Issue”	the rights issue of the Company on the basis of 4 right shares for every 1 Share in July 2010
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 18 February 2009 entered into between the Company, Ocean Space and the guarantor in relation to the sale and purchase of the Sale Loan and the entire issued share capital of Legend Century Investments Limited

## DEFINITIONS

“Sale Loan”	all obligations, liabilities and debts owing or incurred by Legend Century Investments Limited to Ocean Space as at 30 September 2008 under the Sale and Purchase Agreement, which amounted to approximately HK\$11,137,000
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.



**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 (*Chief Executive Officer*)  
Mr. Liang Xiaojin  
Mr. Chen Banyan

*Non-Executive Director*

Mr. Wang Yaomin (*Chairman*)

*Independent Non-Executive Directors*

Mr. Zhang Zhan Liang  
Ms. An Jing  
Mr. Chen Yicheng

*Registered office*

Cricket Square  
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P.O. Box 2681  
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Cayman Islands

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

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

22 May 2013

*To the Shareholders*

Dear Sir/Madam,

**CONNECTED TRANSACTION**

**DEED OF AMENDMENT ON OUTSTANDING CONVERTIBLE BONDS**

**INTRODUCTION**

On 18 April 2013, the Company announced that in order to settle the dispute over the repayment obligation of the Outstanding CB as disclosed in the announcement dated 25 February 2013, the Company and Bondholders entered into the conditional Deed of Amendment to (i) extend the Maturity Date of the Outstanding CB for a further term of 3 years from 30 December 2012 to 30 December 2015, being the Revised Maturity Date; and (ii) clarify that any Outstanding CB not converted on the Revised Maturity Date due to the conversion restrictions (as defined in the CB Instrument) will be cancelled. All other terms of the CB shall remain unchanged and valid.

The purpose of this circular is to provide you with, among other things, (i) details of the Outstanding CB; (ii) details of the Deed of Amendment; (iii) the recommendation from the Independent Board Committee to the Independent Shareholders on the terms of the Deed of



## LETTER FROM THE BOARD

Amendment; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the terms of the Deed of Amendment; and (v) a notice of the EGM to be held and convened for the purpose of considering and if thought fit, approving/ratifying the entering into of the Deed of Amendment and the transactions contemplated thereunder.

### BACKGROUND OF THE DEED OF AMENDMENT

Reference is made to the announcement of the Company dated 13 March 2009 and the 2009 CB Circular relating to the Sale and Purchase Agreement entered into between the Company and Ocean Space, pursuant to which the Company agreed to acquire and Ocean Space agreed to sell the Sale Loan and the entire issued share capital of Legend Century Investments Limited, which held a group of companies engaged in LED/LCD solution business and media business, for an aggregate of HK\$600 million. The consideration was to be satisfied as to HK\$5 million by cash and HK\$595 million by issue of the 3-year CB at HK\$0.125 per Conversion Share to Ocean Space. The Sale and Purchase Agreement was completed at 30 December 2009 and on the same day, the CB was issued to Ocean Space and subsequently allocated to the Bondholders.

On 7 July 2010, the Company received conversion notices from the Bondholders to exercise the conversion rights attached to the CB and on 9 July 2010, 2,416,304,432 Conversion Shares were allotted and issued to the Bondholders at the Adjusted Conversion Price of HK\$0.037 per Conversion Share with an aggregate principal amount of HK\$89,403,264. As at the Latest Practicable Date, the principal amount of the Outstanding CB is HK\$505,596,736, which were matured on 30 December 2012.

On 31 December 2012, China Technology Education Trust Association (one of the Bondholders holding the Outstanding CB in an aggregate principal amount of HK\$307,522,000), enquired with the Company about the progress of the conversion of the CB, while the Company was of the view that the CB had been automatically cancelled after the Maturity Date according to the terms of the CB. The dispute was a result of the discrepancy between the terms of Sale and Purchase Agreement and the terms of the CB in the CB Instrument and CB Certificate over the Dispute Clause, that is the cancellation of the principal amount of the Outstanding CB not converted upon maturity. In the Sale and Purchase Agreement, there was no provision for the Dispute Clause but indication of repayment of the principal amount of the Outstanding CB, however, in the CB Instrument and the CB Certificate issued by the Company to the Bondholders dated 30 December 2009, the Dispute Clause was added. As such the Bondholders alleged that the Dispute Clause to be an unilateral amendment to the CB Instrument and the CB Certificate subsequent to the entering into of Sale and Purchase Agreement, without their prior consent/agreement. The Directors (excluding Mr. Xiang who is one of the Bondholders) are of the view that the above discrepancy arose purely out of the misunderstanding of the Bondholders, who took delivery of the CB Instrument and the CB Certificate without contest or comments. On 25 February 2013 the Company received a letter from the legal adviser of Ocean Space demanding repayment of the Outstanding CB for HK\$505,596,736. The Company made announcements accordingly on 10 January 2013 and 25 February 2013 respectively.

## **LETTER FROM THE BOARD**

On 4 March 2013, the Company received independent legal advice that the position of the Company is not unarguable and there would be uncertainty and risks if the Company were to defend such a claim in court. The Company was under advice that it would be liable if the court were to come to a view that the effect of the Dispute Clause, which was subsequently added to the terms of the CB Instrument and CB Certificate, is substantially different from what had been agreed in the Sale and Purchase Agreement. In addition, considerable costs would also be incurred for a litigation, which would most likely take years to resolve. The Board is also advised to consider alternative resolutions including negotiation with the Bondholders, which would be certainly less costly and more efficient if the dispute can be resolved amicably.

To settle the dispute over the repayment obligation of the Outstanding CB as disclosed in the announcement dated 25 February 2013, after having taken the independent legal advice, the Company negotiated with the Bondholders and entered into the conditional Deed of Amendment, major terms and conditions of which are set out below.

### **THE DEED OF AMENDMENT**

Date:	18 April 2013
Parties:	Bondholders and the Company
Amended terms:	To (i) extend the Maturity Date of the Outstanding CB for a further term of 3 years from 30 December 2012 to 30 December 2015, being the Revised Maturity Date; and (ii) clarify that any Outstanding CB not converted on the Revised Maturity Date due to the conversion restrictions (as defined in the CB Instrument) will be cancelled. All other terms of the CB shall remain unchanged and valid.

The Deed of Amendment is conditional on (i) the Company obtaining an approval from the Independent Shareholders on the entering into of the Deed of Amendment and the transactions contemplated thereunder at the EGM; and (ii) all necessary consents and approvals required to be obtained on the part of the Company and the Bondholders in respect of the 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 31 July 2013 or such later date as may be agreed by the parties in writing, the Deed of Amendment will lapse and terminate.

Given any amount of the Outstanding CB not converted on the Revised Maturity Date due to the conversion restrictions (as defined in the CB Instrument) will be cancelled, the Company will not be required to repay the Outstanding CB upon its cancellation and thereafter.

## LETTER FROM THE BOARD

### MAJOR TERMS OF THE OUTSTANDING CB

Apart from the change of terms of the Outstanding CB in the Deed of Amendment, all terms of the Outstanding CB remain unchanged, which are summarised below:

Principle amount	:	HK\$505,596,736
Interest	:	The Outstanding CB carries no interest.
Revised Maturity Date	:	30 December 2015, being the date falling 3 years from the Maturity Date, unless previously converted.
Conversion	:	Provided that (i) any conversion of the Outstanding CB 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 Outstanding CB (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 (in multiples of HK\$10,000,000 or if the aggregate outstanding principal amount is less than HK\$10,000,000, the entire outstanding amount of the CB) of the principal amount of the Outstanding CB into Conversion Shares at the Adjusted Conversion Price for the period commencing from the date of issue of the Outstanding CB up to the Revised Maturity Date.

## LETTER FROM THE BOARD

- Conversion price : The Adjusted Conversion Price at HK\$0.037 per Conversion Share subject to adjustments set out below. The Adjusted Conversion Price was calculated based on the original conversion price of HK\$0.125 after taking into account of the Rights Issue.
- 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

## LETTER FROM THE BOARD

- (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.

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.
- Transferability : The Bondholder(s) may only assign or transfer the Outstanding CB to the transferee subject to the prior consent of the Company.
- Voting : The Outstanding CB 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 Outstanding CB. 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 CB

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

Bondholders	Notes	Principal amount of the CB Principal amount (HK\$)	Principal amount of the CB converted on 9 July 2010 Principal amount (HK\$)	Remaining balance of the Outstanding CB Principal amount (HK\$)	Number of Shares convertible upon full conversion of the Outstanding CB No. of Shares
<i>Mr. Xiang and parties acting in concert with him</i>					
China Technology Education Trust Association	1	307,522,000	—	307,522,000	8,311,405,405
Honour Sky International Limited	2	202,690,000	61,083,854	141,606,146	3,827,193,135
Ocean Space Development Limited	3	41,315,000	5,237,868	36,077,132	975,057,621
Metropower Holdings Limited	4	19,231,100	2,438,152	16,792,948	453,863,459
Mr. Wong Chak Keung	5	4,120,950	522,440	3,598,510	97,257,027
Mr. Ling Jun	6	4,120,950	4,120,950	—	—
<b>Subtotal</b>		579,000,000	73,403,264	505,596,736	13,664,776,647
<i>Other Bondholder</i>					
Morgan Strategic Limited	8	16,000,000	16,000,000	—	—
<b>Total</b>		<u>595,000,000</u>	<u>89,403,264</u>	<u>505,596,736</u>	<u>13,664,776,647</u>

## LETTER FROM THE BOARD

### Shareholding Structure

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) number of Shares convertible upon the full conversion of the Outstanding CB based on the Adjusted Conversion Price:

Shareholders	Notes	As at the Latest Practicable Date		Number of Shares convertible upon the full conversion of the Outstanding CB	
		No. of Shares	Approximate %	No. of Shares	Approximate %
<b>Bondholders</b>					
<i>Mr. Xiang and parties acting in concert with him</i>					
China Technology Education Trust Association	1	—	—	8,311,405,405	40.94%
Honour Sky International Limited	2	1,650,914,973	24.88%	5,478,108,108	26.99%
Ocean Space Development Limited	3	141,564,000	2.14%	1,116,621,621	5.50%
Metropower Holdings Limited	4	65,896,000	0.99%	519,759,459	2.56%
Mr. Wong Chak Keung	5	—	—	97,257,027	0.48%
Mr. Ling Jun	6	<u>69,027,027</u>	<u>1.04%</u>	<u>69,027,027</u>	<u>0.34%</u>
<b>Subtotal</b>	7	1,927,402,000	29.05%	15,592,178,647	76.81%
<i>Other Bondholder</i>					
Morgan Strategic Limited	8	<u>1,236,032,432</u>	<u>18.63%</u>	<u>1,236,032,432</u>	<u>6.09%</u>
<b>Total Bondholders</b>		3,163,434,432	47.68%	16,828,211,079	82.90%
Other public Shareholders		<u>3,471,567,500</u>	<u>52.32%</u>	<u>3,471,567,500</u>	<u>17.10%</u>
<b>Total issued Shares</b>		<u><u>6,635,001,932</u></u>	<u><u>100.00%</u></u>	<u><u>20,299,778,579</u></u>	<u><u>100.00%</u></u>

*Notes:*

- China Technology Education Trust Association (“China Technology Education”), 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 Education.
- Honour Sky is beneficially owned as to 50% by Mr. Xiang and as to 50% by his spouse, Ms. Kung Ching. Accordingly, Mr. Xiang and Ms. Kung Ching are interested in the Shares and underlying Shares held by Honour Sky. Mr. Xiang is an executive Director and Ms. Kung Ching is an alternate Director of Mr. Xiang.
- 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.

## LETTER FROM THE BOARD

4. Metropower Holdings Limited (“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.
5. Such information was based on a letter received from Mr. Wong Chak Keung who informed the Company on 19 April 2013 that he has sold his 14,120,000 Shares converted from the CB in August 2011 and he still holds the Outstanding CB in the principal amount of HK\$3,598,510.
6. This information was confirmed by Mr. Ling Jun on 24 April 2013.
7. Mr. Xiang and parties acting in concert with him could not convert the Outstanding CB 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 CB.
8. Morgan Strategic Limited (“Morgan Strategic”) is beneficially owned as to 40% by Top Ten International s.a.r.l. (“Top Ten”) and as to 60% by Ms. Tao Xue Juan. Top Ten is beneficially owned by Mr. Chen Darren. Accordingly, Top Ten, Mr. Chen Darren and Ms. Tao Xue Juan are interested in the Shares held by Morgan Strategic.

### REASONS FOR THE DEED OF AMENDMENT

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

The Group recorded a loss for the year attributable to owners of the Company of approximately HK\$502,368,000 and approximately HK\$3,771,000 for the financial years ended 31 December 2011 and 2012 respectively. The net asset value of the Company as at 31 December 2011 and 2012 was approximately HK\$141,078,000 and approximately HK\$137,964,000 respectively. If the Company failed in defending its position in relation to the Dispute Clause, the outstanding principal amount of HK\$505,596,736 under the Outstanding CB will become immediately due and become an obligation of the Company. Based on the current financial situation, it is difficult for the Company to repay the principal amount of the Outstanding CB of HK\$505,596,736.

Having taken into account of the independent legal advice and the reasons for the Deed of Amendment as stated above, the Board is of the view that (i) it is not justifiable for the Company to pursue the litigation which would incur considerable costs and time with the result of the litigation being uncertain; (ii) the Deed of Amendment effectively allows the Group to refinance the potential liability under the CB on the same terms for a further 3 years, which will not only ease the financial pressure of the Company but also enable the Company to retain the existing amount of working capital for potential investments or opportunities; (iii) as the Outstanding CB does not carry any interest, it will not incur any addition financial cost to the Group for the next 3 years; and (iv) the Outstanding CB will not result in an immediate dilution of the shareholding of the existing Shareholders.



## LETTER FROM THE BOARD

The Company engaged Ascent Partners Valuation Service Limited, an independent valuer, to evaluate the fair value of the conversion option of the Outstanding CB (the “Valuation”) as at 29 December 2012, being the date before the Maturity Date, based on the assumption that the Maturity Date is extended for a further 3 years to the Revised Maturity Date using the Monte Carlo simulation model.

The Monte Carlo simulation model is applied in view of the multiple sources of uncertainty, and to work with complicated features of the CB, such as the conversion restriction, that other valuation methods such as Black-Scholes or binomial option pricing models may not be applicable. Given the features of the Outstanding CB, the Board considers that the application of Monte Carlo simulation model to value the conversion option of the Outstanding CB is reasonable.

In this valuation exercise, the Monte Carlo simulation model has been employed to determine the value of the conversion option, which is dependent on the future path of movements of the underlying share. The Company’s future share prices are first simulated with the same assumptions of lognormal return distribution and risk-neutrality as those of the commonly used Black-Scholes and binomial option pricing models. In addition, the Monte Carlo simulation model also incorporates uncertainties such as possibility of occurrence of trading at any particular day, and its associated trading volume along the time dependent paths.

- (a) The values of the conversion options at various points of time are dependent on the following:
  - (i) The spot prices (S) at that particular points of time must exceed the conversion price (C), i.e. in the money :  $(S - C)$
  - (ii) The probability of trading at that particular points of time: (P)
  - (iii) The volume of trading at that particular points of time: (V)
- (b) The share prices are assumed to have the lognormal return distribution and risk-neutrality;
- (c) The average annualized percentage of trading days with no trading transactions in the past 5 years was assumed to be the probability that no stock sales made on a particular points of time, and hence, no conversion can be made at that particular points of time; and
- (d) The trading volume is assumed to be independent of the other factors and to be normally distributed.

According to the valuation report by Ascent Partners Valuation Service Limited (the “Valuation Report”) issued to the Company, the Valuation is zero.

The Valuation was prepared for accounting purpose for the Board to assess the value that will be extended to the Bondholders under the conversion option of the Outstanding CB due to the extension of the Maturity Date to the Revised Maturity Date. Based on the Valuation, the

## **LETTER FROM THE BOARD**

Board considers the Deed of Amendment will not create additional value to the Bondholders. Given the purpose of the Valuation as stated above, it was not considered by the auditors of the Company for preparation of the financial statement of the Group as at 31 December 2012.

The Board does not consider it is necessary to include the Valuation Report in this circular as the Valuation focus on the valuation of the conversion option, but not to value the Outstanding CB. Nevertheless, the Valuation Report will be available for inspection at the principal place of business of the Company in Hong Kong at 26/F., No. 9 Des Voeux Road West, Sheung Wan, Hong Kong during 9:00 a.m. to 5:00 p.m. on any weekday (except for Saturdays and public holidays) up to and including the date of EGM in order to provide better information for the Shareholders to make an informed decision.

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 Deed of Amendment are fair and reasonable and the Deed of Amendment is in the interests of the Company and the Shareholders as a whole despite the potential dilution effect of the existing Shareholders, and the Deed of Amendment will not pose any significant impact on the operations of the Group.

### **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 (except Morgan Strategic Limited) hold in aggregate approximately 29.05% of the existing issued share capital of the Company. The entering into of the 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 Deed of Amendment and the transactions contemplated thereunder. All the Bondholders are considered to have a material interest in the 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 Deed of Amendment and the transactions contemplated thereunder at the EGM.

Pursuant to the GEM Listing Rules, any vote of shareholders at a general meeting must be taken by poll. As such, the resolution set out in the notice of EGM will be voted by poll.

### **EGM**

The EGM will be held and convened at 26/F., No. 9 Des Voeux Road West, Sheung Wan, Hong Kong on Friday, 14 June 2013 at 11:00 a.m. for the Independent Shareholders to consider and, if thought fit, approve/ratify the ordinary resolution for the entering into of the Deed of Amendment.

## LETTER FROM THE BOARD

A notice of EGM and the 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 form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong at Union Registrars Limited at 18/F., Fook Lee Commercial Centre, 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. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on page 17 of this circular which contains its recommendation to the Independent Shareholders in respect of the ordinary resolution to approve the Deed of Amendment. The Bondholders, who are also Shareholders, and their associates will abstain from voting on the ordinary resolution to be proposed at the EGM.

The letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Deed of Amendment are fair and reasonable and in the interest of the Company and its Independent Shareholders as a whole is set out on pages 18 to 34 of this circular.

The Board (excluding Mr. Xiang, also a Bondholder, who abstained from expressing an opinion) considered that the terms of the Deed of Amendment are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution as set out in the notice of EGM.

### FURTHER INFORMATION

Your attention is also drawn to the information set out in the Appendix to this circular.

Yours faithfully,  
On behalf of the Board  
**China Trends Holdings Limited**  
**Xiang Xin**

*Executive Director 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)

22 May 2013

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION  
DEED OF AMENDMENT ON OUTSTANDING CONVERTIBLE BONDS**

We refer to the circular of the Company dated 22 May 2013 (the “Circular”), of which this letter forms part. Capitalised terms used herein shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We are appointed as members of the Independent Board Committee to consider and advise you the terms and conditions of the Deed of Amendment, details of which are set out in the “Letter from the Board” on pages 5 to 16 of the Circular.

We wish to draw your attention to the “Letter from the Board” on pages 5 to 16 of the Circular and the “Letter from Beijing Securities” as set out on pages 18 to 34 of the Circular.

Having taken into account the advice of, and the principal factors and reasons considered by Beijing Securities in arriving at its letter of advice and opinion, we consider the terms of the Deed of Amendment to be fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in respect of the Deed of Amendment.

Yours faithfully,

For and on behalf of the  
Independent Board Committee of  
**China Trends Holdings Limited**

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

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

**Chen Yicheng**  
*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 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

22 May 2013

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

### **CONNECTED TRANSACTION DEED OF AMENDMENT ON OUTSTANDING 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 Deed of Amendment. Details of the Deed of Amendment are set out in the circular of the Company dated 22 May 2013 (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 18 April 2013, the Company entered into the Deed of Amendment with the Bondholders to (i) extend the Maturity Date of the Outstanding CB for a further terms of 3 years from 30 December 2012 to 30 December 2015, being the Revised Maturity Date; and (ii) clarify that any Outstanding CB not converted on the Revised Maturity Date due to the conversion restrictions (as defined in the CB Instrument) will be cancelled. All other terms of the CB shall remain unchanged and valid.

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 (except Morgan Strategic Limited) hold in aggregate approximately 29.05% of the existing issued share capital of the Company. The entering into of the 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

## LETTER FROM BEIJING SECURITIES

entering into of the Deed of Amendment and the transactions contemplated thereunder. All the Bondholders are considered to have a material interest in the 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 Deed of Amendment and the transactions contemplated thereunder at the EGM.

The Board currently comprises three executive Directors, one non-executive Director; and three independent non-executive Directors. The Independent Board Committee, comprising Mr. Zhang Zhan Liang, Ms. An Jing and Mr. Chen Yicheng, has been established to advise the Independent Shareholders on terms of the Deed of Amendment. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Deed of Amendment and such appointment has been approved by the Independent Board Committee.

Beijing Securities 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 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 whether the terms of the Deed of Amendment are fair and reasonable and whether the entering into the Deed of Amendment is in the interests of the Company and the Independent Shareholders as a whole and how the Independent Shareholders should vote in respect of the relevant resolution(s) regarding the entering into the 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 date of the EGM. 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.

## LETTER FROM BEIJING SECURITIES

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.

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.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Beijing Securities is to ensure that such information has been correctly and fairly presented and reproduced from the relevant sources.

### PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the terms of the Deed of Amendment, we have considered the following principal factors and reasons:

#### 1. Background of the CB

##### *Reasons for issuance of the CB*

The Group was principally engaged in the sales and marketing of mobile phone appliance and the relevant parts solutions in the PRC prior to the entering and the completion of the Sale and Purchase Agreement with Ocean Space on 30 December 2009 (“Completion”). Ocean Space held the entire issued share capital of Legend Century Investments Limited, which held a group of companies engaged in LED/LCD solution business and media business prior to Completion. As disclosed in the 2009 CB Circular, the Group was actively seeking opportunities to broaden the revenue base of the Group and the acquisition of Legend Century Investments Limited represented a good opportunity for the Group to expand into the optoelectronic, media and advertisement publication in the PRC. As such the Company entered into the Sale and Purchase Agreement between the Company and Ocean Space, pursuant to which the Company agreed to acquire and Ocean Space agreed to sell the Sale Loan and the entire issued share capital of Legend Century Investments Limited, for an aggregate of HK\$600 million. The consideration was to be satisfied as to HK\$5 million by cash and HK\$595 million by issue of the 3-year CB at HK\$0.125 per Conversion Share to Ocean Space. On the same day of the Completion, being 30 December 2009, the CB was issued to Ocean Space and subsequently allocated to the Bondholders.

## LETTER FROM BEIJING SECURITIES

### *Terms of the CB*

The principal terms of the CB as set out in the 2009 CB Circular are summarised below:

- Principle amount : HK\$595,000,000
- Interest : The CB carries no interest.
- Maturity Date : 30 December 2012. Any principal amount of the CB which remains outstanding on the Maturity Date shall be converted into Shares subject to the term (the “Conversion Restrictions”) as set out in the paragraph headed “Conversion” below. In the event that the outstanding principal amount of the CB cannot be converted into Shares due the Conversion Restrictions, such amount will be cancelled at the Maturity Date.
- Conversion : Provided that (i) any conversion of the CB 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 CB (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 (in multiples of HK\$10,000,000 or if the aggregate outstanding principal amount is less than HK\$10,000,000, the entire outstanding amount of the CB) of the principal amount of the CB into the Conversion Shares at the Conversion Price for the period commencing the date of issue of the CB up to the Maturity Date.



## LETTER FROM BEIJING SECURITIES

- Conversion Price : HK\$0.125 subject to adjustments.
- Adjustments : The adjustments for Conversion Price include the following:
- (a) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;
  - (b) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
  - (c) a capital distribution being made by the Company, whether on a reduction of capital or otherwise, to Shareholders (in their capacity as such) or a grant by the Company to Shareholders (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries the payment or making of any capital distribution to the Shareholders;
  - (d) an offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe new Shares being made by the Company to Shareholders (in their capacity as such);
  - (e) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares and the total effective consideration per Share receivable for such securities is less than 80% of the market price on the date of announcement of the terms of the issue of such securities; and
  - (f) an issue of Shares wholly for cash at a price per Share which is less than 80% of the market price on the date of announcement of the terms of such issue.

## LETTER FROM BEIJING SECURITIES

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.
- Transferability : The Bondholder(s) may only assign or transfer the CB to the transferee subject to the prior consent of the Company.

### **2. Background of and reasons for the Deed of Amendment**

Following the issuance of the CB on 30 December 2009, on 7 July 2010, the Company received the conversion notices from the Bondholders to exercise the conversion rights attached to the CB and on 9 July 2010, 2,416,304,432 Conversion Shares were allotted and issued to the Bondholders at the Adjusted Conversion Price of HK\$0.037 per Conversion Share\* with an aggregate principal amount of HK\$89,403,264. As at the Latest Practicable Date, the principal amount of the Outstanding CB is HK\$505,596,736, which were matured on 30 December 2012. The following table sets out the information on the conversion of the CB and information of the Outstanding CB, including (i) the principal amount of the CB held by each Bondholder; (ii) principal amount of the CB converted on 9 July 2010 at the Adjusted Conversion Price of HK\$0.037 per Conversion Share; (iii) remaining balance of the Outstanding CB; and (iv) number of Shares convertible upon full conversion of the Outstanding CB based on the Adjusted Conversion Price:

\* On 15 June 2010, the Conversion Price for the CB had been adjusted to HK\$0.037 per Conversion Share, being the Adjusted Conversion Price, as a result of the completion of a rights issue issued on 8 July 2010.

## LETTER FROM BEIJING SECURITIES

Bondholders	Principal amount of the CB Principal amount (HK\$)	Principal amount of the CB converted on 9 July 2010 Principal amount (HK\$)	Remaining balance of the Outstanding CB Principal amount (HK\$)	Number of Shares convertible upon full conversion of the Outstanding CB No. of Shares
<i>Mr. Xiang and parties acting in concert with him</i>				
China Technology Education Trust Association	307,522,000	—	307,522,000	8,311,405,405
Honour Sky International Limited	202,690,000	61,083,854	141,606,146	3,827,193,135
Ocean Space Development Limited	41,315,000	5,237,868	36,077,132	975,057,621
Metropower Holdings Limited	19,231,100	2,438,152	16,792,948	453,863,459
Mr. Wong Chak Keung	4,120,950	522,440	3,598,510	97,257,027
Mr. Ling Jun	4,120,950	4,120,950	—	—
<b>Subtotal</b>	<u>579,000,000</u>	<u>73,403,264</u>	<u>505,596,736</u>	<u>13,664,776,647</u>
<i>Other Bondholder</i>				
Morgan Strategic Limited	16,000,000	16,000,000	—	—
<b>Total</b>	<u>595,000,000</u>	<u>89,403,264</u>	<u>505,596,736</u>	<u>13,664,776,647</u>

On 31 December 2012, China Technology Education Trust Association (one of the Bondholders holding the Outstanding CB in an aggregate principal amount of HK\$307,522,000), enquired the Company about the progress of the conversion of the CB, while the Company was of the view that the CB had been automatically cancelled after the Maturity Date according to the terms of the CB. The dispute was a result of the discrepancy between the terms of Sale and Purchase Agreement and the terms of the CB in the CB Instrument and CB Certificate over the Dispute Clause, that is the cancellation of the principal amount of the Outstanding CB not converted upon maturity. In the Sale and Purchase Agreement, there was no provision for the Dispute Clause but indication of repayment of the principal amount of the Outstanding CB, however, in the CB Instrument and the CB Certificate issued by the Company to the Bondholders dated 30 December 2009, the Dispute clause was added. As such the Bondholders alleged that the Dispute Clause to be an unilateral amendment to the CB Instrument and the CB Certificate subsequent to the entering of the Sale and Purchase Agreement, without their prior consent/agreement. The Directors (excluding Mr. Xiang who is one of the Bondholders) are of the view that the above discrepancy arose purely out of the misunderstanding of the Bondholders, who took delivery of the CB Instrument and the CB Certificate without contest or comments. On 25 February 2013 the Company received a letter from the legal adviser of the Bondholders demanding repayment of the Outstanding CB for HK\$505,596,736. The Company made announcements accordingly on 10 January 2013 and 25 February 2013 respectively.

On 4 March 2013, the Company received independent legal advice that the position of the Company is not unarguable and there would be uncertainty and risks if the Company were to defend such a claim in court. The Company was under advice that it

## LETTER FROM BEIJING SECURITIES

would be liable if the court were to come to a view that the effect of the Dispute Clause, which was subsequently added to the terms of the CB Instrument and CB Certificate, is substantially different from what had been agreed in the Sale and Purchase Agreement. In addition, considerable costs would also be incurred for a litigation, which would most likely take years to resolve. The Board is also advised to consider alternative resolutions including negotiation with the Bondholders, which would certainly be less costly and more efficient if the dispute can be resolved amicably. Furthermore, if the Company failed in defending its position in relation to the Dispute Clause, the outstanding principal amount of HK\$505,596,736 under the Outstanding CB will become immediately due and become an obligation of the Company.

To settle the dispute over the repayment obligation of the Outstanding CB as disclosed in the announcement dated 25 February 2013, after having taken the legal advice, the Company negotiated with the Bondholders and entered into the Deed of Amendment.

### **3. The Deed of Amendment and Major Terms of the Outstanding CB**

On 18 April 2013, the Company entered into the Deed of Amendment with the Bondholders to (i) extend the Maturity Date of the Outstanding CB for a further terms of 3 years from 30 December 2012 to 30 December 2015, being the Revised Maturity Date; and (ii) clarify that any Outstanding CB not converted on the Revised Maturity Date due to the conversion restrictions (as defined in the CB Instrument) will be cancelled.

At the date of entering into the Deed of Amendment, the principle amount of the Outstanding CB is HK\$505,596,736 and the Adjusted Conversion Price is HK\$0.037 per Conversion Share. All other terms of the CB shall remain unchanged and valid as set out in the section headed “Background of the CB” above except for the Maturity Date. For illustration, the principle amount of the Outstanding CB, the Revised Maturity Date and the Conversion Price are summarised below. Details of the major terms of the Outstanding CB could be found on pages 8–10 of the Circular.

Principle amount of : HK\$505,596,736  
Outstanding CB

Revised Maturity : 30 December 2015, being the date falling 3 years from  
Date the Maturity Date, unless previously converted. Any principal amount of the CB remains outstanding on the Revised Maturity Date shall be converted into Shares subject to the terms as set out in the paragraph headed “Conversion” in the Letter from the Board under the section headed “Major Terms of the Outstanding CB”. In the event that the outstanding principal amount of the CB cannot be converted into Shares due to the Conversion Restrictions, such amount will be cancelled at the Revised Maturity Date.

<b>LETTER FROM BEIJING SECURITIES</b>
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Conversion Price : The Adjusted Conversion Price at HK\$0.037 per Conversion Share subject to adjustments set out in the paragraph headed “Adjustments” in the Letter from the Board under the section headed “Major Terms of the Outstanding CB”. The Adjusted Conversion Price was calculated based on the original conversion price of HK\$0.125 after taking into account of the Rights Issue.

**4. Factors taken into consideration for the Deed of Amendment**

In assessing the reasonableness of entering into the Deed of Amendment with the Bondholders, we have reviewed the financial position of the Group and the independent legal advice to the Company.

Further, in assessing the reasonableness of the terms of the Deed of Amendment, we have also reviewed the Adjusted Conversion Price, the possible dilution effect to the Shareholders, the fair value of the option of the Outstanding CB as at 29 December 2012, being the date before the Maturity Date and the financial impact. We set out in the following our analysis.

*(a) Financial position of the Group*

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

Set out below is the summary of the consolidated financial information of the Group as extracted from the annual report of the Company for the three years ended 31 December 2012:

	<b>As at years ended 31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	(Audited)	(Audited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Consolidated Statement of Financial Position</b>			
Total assets	655,664	186,199	138,438
Total liabilities	14,788	45,121	474
Net assets	640,876	141,078	137,964

<b>LETTER FROM BEIJING SECURITIES</b>
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**For the year ended 31 December**

	<b>2010</b>	<b>2011</b>	<b>2012</b>
	(Audited)	(Audited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000

**Consolidated Statement of  
Comprehensive Income**

Revenue	37,108	85,367	227,908
Gross profit	378	6,145	7,210
Loss attributable to owners of the Company	(8,813)	(502,368)	(3,771)

As depicted by the table above, the Group's net assets for the years ended 31 December 2010, 2011, and 2012 were approximately HK\$640.9 million, HK\$141.1 million and HK\$138.0 million respectively. According to the 2012 annual report of the Company, revenue increased to approximately HK\$227.9 million for the year ended 31 December 2012 due to the expansion of the Group's trading business. However, the Group had recorded a loss in the last three financial years. Furthermore, as disclosed in the 2012 annual report of the Company, the Group is considering to re-expand the business in Hong Kong.

Taking into account of the Group's net assets position, the loss made in the last three financial years and the need to expand its business in Hong Kong, it is difficult for the Company to repay the principal amount of the Outstanding CB of HK\$505,596,736. As such, the viable options available to the Company are whether to defend the Disputed Clause in court or seek other alternative solutions including negotiation with the Bondholders.

*(b) Independent legal advice to the Company*

As set out in the Letter from the Board and in the section headed "Background of and reasons for the Deed of Amendment", the Bondholders demanded repayment of the Outstanding CB for HK\$505,596,736. In this regard, the Company has sought independent legal advice regarding the position of the Company if it is to defend the claim in court. We have reviewed the independent legal advice dated 4 March 2013 (the "Legal Advice"). For our due diligence purpose, we have discussed with the relevant legal advisers aspects of the Legal Advice. We have also enquired their qualifications, expertise and independence to the Group and have reviewed the legal advisers' summary of the engagement (including their scope of work). We were not aware of any irregularities during our interview with the legal advisers or in our review of the work. After due and careful inquiry, we concurred that if the Company were to defend the claim in court, the outcome would be subject to uncertainty and risks as the court might find that the Company be liable if the court were to come to a view that the effect of the Dispute Clause, which was subsequently added to the terms of the CB Instrument and CB Certificate, is substantially different from what had been agreed in the Sale and Purchase Agreement. As noted in the Legal Advice,

## LETTER FROM BEIJING SECURITIES

if the Company were to litigate with the Bondholders, the litigation might take years to resolve and it is expected that the legal fee to defend the claim in court would be costly. Therefore in light of the above, the Company might incur considerable amount of costs and time to resolve the litigation if this path is chosen. Furthermore, if the Company failed in defending its position in relation to the Dispute Clause, the outstanding principal amount of HK\$505,596,736 under the Outstanding CB will become immediately due and become an obligation of the Company.

Having considered the Group has been loss making in the last several years and the Group is considering to re-expand the business in Hong Kong, it would be prudent for the Company to focus its financial resource and time of its directors and management in the development of the Group's business operation and retain the existing amount of working capital for potential investments or opportunities given the outcome of the litigation could be uncertain and risky. Therefore, in light of the reasons stated in this and the preceding paragraphs, we concur with the Legal Advice and the Board's opinion that the Company should consider alternative solutions including negotiation with the Bondholders, which would be less costly and more efficient to settle the dispute amicably. In view of the uncertainty and risks to litigate with the Bondholders, we consider that it is in the interest of the Company and the Shareholders as a whole to negotiate a Deed of Amendment with the Bondholders.

### *(c) Negotiation, outcome and terms of the Deed of Amendment*

Further to negotiations made by the Company with the Bondholders, on 18 April 2013, the Company entered into the Deed of Amendment with the Bondholders to settle the dispute over the repayment obligation of the Outstanding CB. Details of the Deed of Amendment is set out on page 7 of the Circular. Pursuant to the Deed of Amendment, apart from the change of the Maturity Date of the terms of the CB, all the terms of the CB shall remain unchanged and valid. The Revised Maturity Date will be extended for a further term of 3 years from 30 December 2012 to 30 December 2015 and clarify that any Outstanding CB not converted on the Revised Maturity Date due to the conversion restrictions (as defined in the CB Instrument) will be cancelled.

The Deed of Amendment is conditional on (i) the Company obtaining an approval from the Independent Shareholders on the entering into of the Deed of Amendment and the transactions contemplated thereunder at the EGM; and (ii) all necessary consents and approvals required to be obtained on the part of the Company and the Bondholders in respect of the 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 31 July 2013 or such later date as may be agreed by the parties in writing, the Deed of Amendment will lapse and terminate.

## LETTER FROM BEIJING SECURITIES

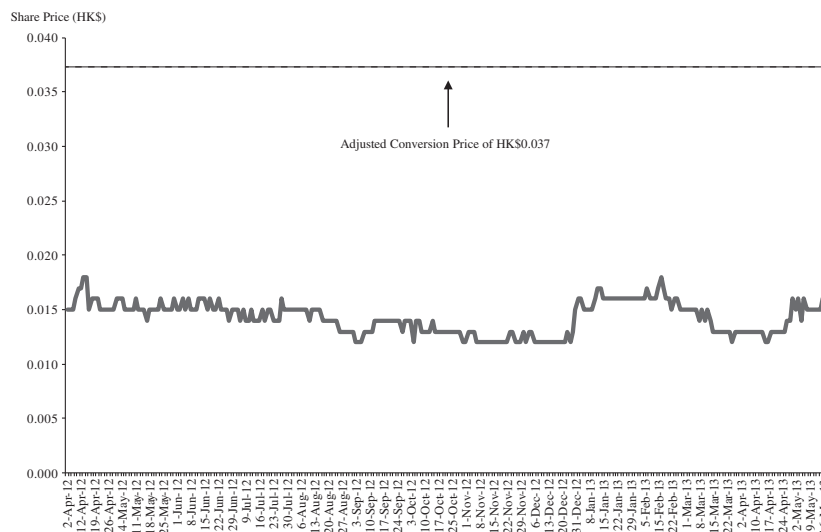
### (d) Comparison of the Conversion Price

The Adjusted Conversion Price under the terms of Outstanding CB of HK\$0.037 per Conversion Share represents:

- (1) a premium of approximately 146.7% to the average closing price of HK\$0.015 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Latest Practicable Date;
- (2) a premium of approximately 146.7% to the average closing price of HK\$0.015 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Latest Practicable Date;
- (3) a premium of approximately 131.3% to the closing price of HK\$0.016 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (4) a premium of approximately 76.2% to the net asset value per Share of the Company of approximately HK\$0.021 per Share which is calculated based on the audited net asset value of the Company of approximately HK\$138.0 million as at 31 December 2012 as disclosed in the annual report of the Company for the year ended 31 December 2012 divided by its issued Shares of 6,635,001,932 Shares.

### (e) Review on share price performance of the Company

We have reviewed the share prices of the Company during a period starting from 2 April 2012 (approximately 12 months prior to the date of the announcement of the Company dated 18 April 2013) up to the Latest Practicable Date (the “Review Period”).



Source: Bloomberg



## LETTER FROM BEIJING SECURITIES

During the Review Period, the lowest closing price was HK\$0.012 per Share and the highest closing price was HK\$0.018 per Share. The Adjusted Conversion Price represents a premium of approximately 208.3% to the said lowest closing price per Share and a premium of 105.6% to the said highest closing price per Share during the Review Period. Based on the graph above, it can be noted that the Adjusted Conversion Price lies above the range of the closing prices for the entire Review Period. Given that the Adjusted Conversion Price represents a substantial premium over the closing share prices of the Company during the Review Period, the entering of the Deed of Amendment with the Bondholders with the same Adjusted Conversion Price will not have any material impact to the Shareholders and is fair and reasonable to the Company and Independent Shareholders.

*(f) Possible dilution effect to the Shareholders*

To the best of knowledge and information of the Directors, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) number of Shares convertible upon the full conversion of the Outstanding CB based on the Adjusted Conversion Price:

Shareholders	As at the Latest Practicable Date		Number of Shares convertible upon the full conversion of the Outstanding CB	
	<i>No. of Shares</i>	<i>Approximately %</i>	<i>No. of Shares</i>	<i>Approximately %</i>
<b><i>Bondholders</i></b>				
<i>Mr. Xiang and parties acting in concert with him</i>				
China Technology Education Trust Association	—	—	8,311,405,405	40.94%
Honour Sky International Limited	1,650,914,973	24.88%	5,478,108,108	26.99%
Ocean Space Development Limited	141,564,000	2.14%	1,116,621,621	5.50%
Metropower Holdings Limited	65,896,000	0.99%	519,759,459	2.56%
Mr. Wong Chak Keung	—	—	97,257,027	0.48%
Mr. Ling Jun	<u>69,027,027</u>	1.04%	<u>69,027,027</u>	0.34%
<b><i>Subtotal (Note)</i></b>	1,927,402,000	29.05%	15,592,178,647	76.81%
<i>Other Bondholder</i>				
Morgan Strategic Limited	<u>1,236,032,432</u>	18.63%	<u>1,236,032,432</u>	6.09%
<b><i>Total Bondholders</i></b>	3,163,434,432	47.68%	16,828,211,079	82.90%
Other public Shareholders	<u>3,471,567,500</u>	<u>52.32%</u>	<u>3,471,567,500</u>	<u>17.10%</u>
<b>Total issued Shares</b>	<u><u>6,635,001,932</u></u>	<u><u>100.00%</u></u>	<u><u>20,299,778,579</u></u>	<u><u>100.00%</u></u>

*Note:* Mr. Xiang and parties acting in concert with him could not convert the Outstanding CB 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 CB.

## LETTER FROM BEIJING SECURITIES

Pursuant to the terms of the Deed of Amendment, a total of 13,664,776,647 Conversion Shares will be issued if fully converted without restriction and which would represent approximately 205.95% of the existing issue share capital of the Company and approximately 67.31% of issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

From the table above, upon full conversion of the Outstanding CB, the shareholding interests of the public Shareholders would be diluted from approximately 52.32% to 17.10%. However, conversion of the Outstanding CB will only be allowed provided that (i) any conversion of the Outstanding CB does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Bondholder which exercised the conversion rights, whether or not such mandatory offer obligation is triggered off by the fact that the number of Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bond (if applicable, including any Shares acquired by the parties acting in concert with the Bondholder(s)) represents more than 30% (or such other percentage as stated in Rule 26 of the Takeovers Code in effect from time to time) of the then issued ordinary share capital of the Company or otherwise pursuant to other provisions of the Takeovers Code 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.

In light of the above and after taking into consideration that (i) as demonstrated by the table above, the Bondholders (except Morgan Strategic Limited) hold in aggregate 29.05% of the existing issued share capital of the Company; and (ii) given that the Bondholders cannot hold in aggregate more than 30% of the issued ordinary share capital of the Company due to the conversion restrictions (as defined in the CB Instrument), the Conversion Shares that can be converted as at the Latest Practicable Date is limited and hence the Outstanding CB will not result in an immediate dilution of the shareholding of the existing Shareholders and therefore dilution to the public Shareholders will be lessened, we are of the view that the potential dilution to the shareholding interests of the public Shareholders is acceptable.

*(g) Review on the value of the Conversion Option of the Outstanding CB*

As stated in the Letter from the Board, the Company has engaged Ascent Partners Valuation Service Limited (the "Valuer"), an independent valuer, to evaluate the fair value of the conversion option of the Outstanding CB (the "Valuation") as at 29 December 2012, being the date before the Maturity Date, assuming the Maturity Date is extended for a further 3 years to the Revised Maturity Date to assess whether the Bondholders shall pay consideration for the extended maturity date. The Valuation was prepared for the Board for accounting purpose to assess the value that will be ascribed to the Bondholders under the conversion option of the Outstanding CB due to the extension of the Maturity Date to the Revised Maturity Date. According to the valuation report issued by the Valuer, the Valuation is zero. The Valuation was prepared by the Valuer using the Monte-Carlo simulation

## LETTER FROM BEIJING SECURITIES

model, which is applied in view of multiple sources of uncertainty, and to work with complicated features of the CB, such as the conversion restriction, that other valuation methods such as Black-Scholes or binomial option pricing models may not be applicable. Having considered the features of the Outstanding CB, we are of the view that the application of Monte Carlo simulation model to value the conversion option of the Outstanding CB is appropriate. Please refer to the Letter from the Board under the section headed “Reasons for the Deed of Amendment” in relation to the compilation logic of the Monte-Carlo simulation model.

For our due diligence purpose, we have discussed with the Valuer the methodology, basis and assumptions for the Valuation and raised questions on areas which we require further explanation. Furthermore, we have enquired the Valuer as to its qualifications, expertise and independence to the Group. We have also reviewed the Valuer’s terms of engagement (including their scope of work). We were not aware of any irregularities during our interview with the Valuer or in our review of the work. Also, during the course of our discussion with the Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the basis and assumptions adopted for the Valuation. As the Valuer is qualified to provide a reliable valuation on the conversion option of the Outstanding CB, we are of the view that even though the Valuation was prepared for accounting purpose, the Valuation is a fair assessment of the fair value of the conversion option of the Outstanding CB. After due and careful inquiry, we are of the view that the Valuation has been reasonably prepared and are normal in nature and that the methodology and assumptions adopted for the Valuation are reasonable and we concurred with the Valuer’s opinion.

### *(h) Financial impact of the Deed of Amendment*

As stated in the section headed “Negotiation, outcome and terms of the Deed of Amendment”, after entering into the Deed of Amendment, all terms of the CB shall remain unchanged and valid except for the Maturity Date. As any Outstanding CB not converted into Shares will be cancelled on the Revised Maturity Date due to the conversion restrictions (as defined in the CB Instrument) and that the Outstanding CB does not carry any interest, the Group will not repay any outstanding principal amount of the CB on or after the Revised Maturity Date nor will the Group incur any addition financial cost to the Group for the next 3 years. As such, the entering of the Deed of Amendment will pose no significant financial impact to the Group and we concurred with the Board’s opinion that the Deed of Amendment effectively allows the Group to refinance the potential liability under the CB on the same terms for a further 3 years, which will not only ease the financial pressure of the Company but also enable the Company to retain the existing amount of working capital for potential investments or opportunities.

## LETTER FROM BEIJING SECURITIES

### RECOMMENDATION

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

- (i) the financial position of the Group may make it difficult for the Company to repay the principal amount of the Outstanding CB of HK\$505,596,736 if the Company failed to defend its position in relation to the Dispute Clause;
- (ii) the independent legal advice to the Company that if the Company were to defend the claim in court, the outcome would be subject to uncertainty and risks and the Company might incur considerable amount of costs and time to resolve the litigation and that the Company should consider alternative solutions including negotiation with the Bondholders;
- (iii) all terms of the original CB shall remain unchanged and valid except for the Maturity Date;
- (iv) the Adjusted Conversion Price represents a substantial premium over:
  - (a) the closing price of the Share at the Latest Practicable Date;
  - (b) the respective average closing prices of the Share for 5 and 10 consecutive trading days up to and including the Latest Practicable Date;
  - (c) the daily closing share prices of the Company during the Review Period; and
  - (d) the audited net asset value per share of the Company as at 31 December 2012;
- (v) the Conversion Share that can be converted as at the Latest Practicable Date is limited due to the conversion restrictions (as defined in the CB Instrument) and hence dilution to the public Shareholders will be lessened;
- (vi) the fair value of the conversion option of the Outstanding CB as at 29 December 2012, and assuming the Maturity Date is extended for a further 3 years to the Revised Maturity Date, is zero; and
- (vii) there is no significant financial impact to the Group in entering into the Deed of Amendment with the Bondholders;

**LETTER FROM BEIJING SECURITIES**

we consider the terms of the Deed of Amendment are fair and reasonable so far as the Independent Shareholders are concerned and the entering into the Deed of Amendment is in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Shareholders, as well as the Independent Shareholders, to vote in favour of the resolution(s) to approve the Deed of Amendment and the transactions contemplated thereunder 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

### a) 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 CB	Total interests	Total percentage of the issued share capital
Xiang Xin (Note)	Interest of controlled corporation	1,650,914,973	3,827,193,135	5,478,108,108	82.56%
Kung Ching (Note)	Interest of controlled corporation	1,650,914,973	3,827,193,135	5,478,108,108	82.56%

*Note:* The 1,650,914,973 Shares and 3,827,193,135 underlying Shares from the Outstanding CB above are held by Honour Sky which is wholly and beneficially owned by New Times Global Capital Inc.. Accordingly, New Times Global Capital Inc. is interested in such Shares and underlying Shares held by Honour Sky. Each of Mr. Xiang and his spouse, Ms. Kung Ching, owns 50% share of New Times Global Capital Inc. respectively and are also the directors of New Times Global Capital Inc.. They are taken to be interested in the Shares and underlying Shares held by Honour Sky.

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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or a proposed Director is a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**b) Substantial Shareholders and other persons' interest in Shares and underlying Shares**

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

Name	Nature of interest	No. of Shares held	No. of underlying Shares from the Outstanding CB	Total interests	Total percentage of the issued share capital
China Technology Education Trust Association (Note 1)	Beneficial owner	—	8,311,405,405	8,311,405,405	125.27%
Honour Sky (Note 2)	Beneficial owner	1,650,914,973	3,827,193,135	5,478,108,108	82.56%
New Times Global Capital Inc. (Note 2)	Interest of controlled corporation	1,650,914,973	3,827,193,135	5,478,108,108	82.56%
Joy China Group Limited (Note 3)	Trustee	—	2,843,500,000	2,843,500,000	42.86%
Ding Yi Ning (Note 3)	Interest of controlled corporation	—	2,843,500,000	2,843,500,000	42.86%
Morgan Strategic Limited	Beneficial owner	1,236,032,432	—	1,236,032,432	18.63%
Top Ten International s.a.r.l. (Note 4)	Interest of controlled corporation	1,236,032,432	—	1,236,032,432	18.63%
Chen Darren (Note 4)	Interest of controlled corporation	1,236,032,432	—	1,236,032,432	18.63%
Tao Xue Juan (Note 4)	Interest of controlled corporation	1,236,032,432	—	1,236,032,432	18.63%
Ocean Space	Beneficial owner	141,564,000	975,057,621	1,116,621,621	16.83%
Zhang Shao Cai (Note 5)	Interest of controlled corporation	141,564,000	975,057,621	1,116,621,621	16.83%

*Notes:*

1. The underlying Shares are held by China Technology Education Trust Association (the “China Technology Education”), 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 Education.
2. Honour Sky is a private company wholly and beneficially owned by New Times Global Capital Inc.. Accordingly, New Times Global Capital Inc. is interested in the Shares and the underlying Shares held by Honour Sky. Mr. Xiang and Ms. Kung Ching, each of them owns 50% share of New Times Global Capital Inc. and are also the directors of New Times Global Capital Inc. and are taken to be interested in the Shares and underlying Shares held by Honour Sky.
3. On 7 January 2011, the Company entered into the sale and purchase agreement with Joy China Group Limited (“Joy China”) to acquire the 100% interest of Full Smart Asia Limited (“Full Smart”) for a consideration of HK\$228 million. On 23 December 2011, the Company entered into a second supplemental agreement with Joy China and the guarantor of which the parties have agreed (i) to turn the HK\$22.8 million deposit paid by the Company into 20% interest of Full Smart; and (ii) the Company reserve the right to acquire the remaining 80% of Full Smart before 1 January 2015 by paying HK\$113,740,000 convertible bonds and HK\$91,460,000 promissory note to Joy China. The convertible bonds may convert into 2,843,500,000 new shares if exercise in full. Mr. Ding Yi Ning is the ultimate beneficiary of Joy China and he is deemed to be interested in the underlying Shares held by Joy China. The completion of acquisition remains subject to the fulfillment of the conditions, and subject to the approval of the independent shareholders of the Company.
4. Morgan Strategic Limited (“Morgan Strategic”) is beneficially owned as to 40% by Top Ten International s.a.r.l. (“Top Ten”) and as to 60% by Ms. Tao Xue Juan. Top Ten is beneficially owned by Mr. Chen Darren. Accordingly, Top Ten, Mr. Chen Darren and Ms. Tao Xue Juan are interested in the Shares held by Morgan Strategic.
5. Ocean Space, a company incorporated in the British Virgin Islands, is a private company wholly and beneficially owned by Mr. Zhang Shao Cai. Accordingly, Mr. Zhang Shao Cai is interested in the Shares and the underlying Shares held by Ocean Space.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executives of the Company were not aware of any other person (other than a Director or a chief executives of the Company) had, or were deemed or taken to have, an interest or short position in the Shares or underlying Shares (including any interests in options in respect of such capital) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any member of the Group.

### 3. MATERIAL ADVERSE CHANGES

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 2012, 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 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 2012, 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 contracts with any member of the Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

#### 7. EXPERTS' DISCLOSURE OF INTEREST AND CONSENT

The following are the qualifications of the experts who have given their opinions or advices which are contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Ascent Partners Valuation Service Limited	An independent valuer
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, each of Ascent Partners Valuation Service Limited and Beijing Securities:

- (a) did not have any direct or indirect interests in any assets which have been, since 31 December 2012 (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.

Each of Ascent Partners Valuation Service Limited and Beijing Securities have given and have not withdrawn their written consent to the issue of this circular with the inclusion of their letter or statement and references to their 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 18/F., Fook Lee Commercial Centre, 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 are available for inspection during 9:00 a.m. to 5:00 p.m. on any weekday (except for Saturdays and public holidays) at the office of the Company at 26/F., No. 9 Des Voeux Road West, Sheung Wan, Hong Kong up to and including the date of the EGM:

- (a) the Deed of Amendment;
- (b) the CB Instrument;
- (c) the CB Certificate;
- (d) the letter from Beijing Securities;
- (e) the valuation report issued by Ascent Partners Valuation Service Limited; and
- (f) the Sale and Purchase Agreement.

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 the extraordinary general meeting (the “EGM”) of China Trends Holdings Limited (the “Company”) will be held at 26/F., No. 9 Des Voeux Road West, Sheung Wan, Hong Kong on Friday, 14 June 2013 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution of the Company:

**ORDINARY RESOLUTION**

**“THAT**

- (a) the conditional deed of amendment (the “Deed of Amendment”) dated 18 April 2013 (a copy of the 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, inter alia, extend the maturity date of the convertible bond of the Company in the aggregate principal amount of HK\$505,596,736 (the “Outstanding CB”) held by the Bondholders for three years from 30 December 2012 to 30 December 2015 and clarify that any outstanding principal amount of the Outstanding CB not converted on 30 December 2015 due to the conversion restrictions (as defined in the instrument constituting the Outstanding CB) will be cancelled and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved; and
- (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 Deed of Amendment and the transactions contemplated thereunder.”

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

*Executive Director and Chief Executive Officer*

Hong Kong, 22 May 2013

## NOTICE OF EGM

*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 18/F., Fook Lee Commercial Centre, 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.