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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)

**CLARIFICATION ANNOUNCEMENT IN RELATION TO
DISCLOSEABLE TRANSACTION: ACQUISITION OF
THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY
AND
ISSUE OF WARRANTS UNDER GENERAL MANDATE**

THE ACQUISITION

On 25 November 2016 (after trading hours), the Vendor, an Independent Third Party, entered into the Agreement with the Company, pursuant to which the Vendor has conditionally agreed to sell and the Company has conditionally agreed to acquire the Sale Shares, representing the entire issued share capital of Skynet, at a total consideration of HK\$30,000,000.

GEM LISTING RULES IMPLICATION

As the relevant percentage ratios under the GEM Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules. The Acquisition is subject to the reporting and announcement requirements but is exempted from shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

Reference is made to the announcement (the “**Announcement**”) of the Company dated 25 November 2016 in relation to the Acquisition. The Board would like to clarify that the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the

relevant disclosure requirements. As such, the Company would like to supplement the following information for the Shareholders information:

THE AGREEMENT

Date

25 November 2016 (after trading hours)

Parties

The Vendor: Mr. Cheung Kin Wah

The purchaser: The Company

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

Assets to be acquired

The Sale Shares which represent the entire issued share capital of Skynet.

Consideration

The Consideration of HK\$30,000,000 for the sale and purchase of the Sale Shares shall be settled by the Company in the following manner:

- (a) as to HK\$7,500,000 shall be settled by the Company issuing 1,500,000,000 Warrants to the Vendor on the Completion Date; and
- (b) the balance of HK\$22,500,000 shall be settled by the Company issuing 4,500,000,000 Warrants to the Vendor 11 months after the Completion Date.

The Consideration has been arrived at after arm's length negotiations between the Vendor and the Company with reference to the preliminary valuation of Skynet, taking into account the business prospects of Skynet, in particular, the potential value of the contracts owned by Skynet as follows:

- (a) in March 2016, Skynet, jointly with Poly LM and GC Capital, entered into a memorandum of understanding with Thuraya, a mobile satellite service operator and a global telecommunication service provider, in relation to the potential investment in Thuraya and its next generation project; and
- (b) in November 2015, Skynet entered into a memorandum of understanding with SRTW pursuant to which SRTW shall appoint Skynet as its sole agent in the PRC for the manufacturing and sales distribution of its satellite data communication products for a total fee of US\$6,500,000 (equivalent to HK\$50,440,000).

Given that Skynet only owns potential interests in the contracts stated above without any tangible assets, the Directors considered that the settlement of the Consideration by the Company issuing the Warrants to the Vendor would be appropriate as the Company would receive proceeds from the Vendor while the Vendor would enjoy the benefit from increasing Share price if any of the Warrants are to be exercised during the Exercise Period. The Directors have considered other alternative settlement methods for the Consideration such as cash consideration or issue of consideration shares. The Directors considered that cash consideration may incur financial burden on the Company and issue of consideration shares may have an immediate dilution effect on the Shareholders.

In view of the above, the Directors consider that the terms and conditions of the Acquisition, including the settlement of the Consideration by way of issuing the Warrants, are fair and reasonable and are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Terms of the Warrants

Parties

The issuer: The Company

The subscriber: The Vendor

Number of Warrants

Pursuant to the Agreement, a total of up to 6,000,000,000 Warrants will be subscribed by the Vendor, each entitles the holder thereof to subscribe for one New Share during the Exercise Period.

Exercise Price

The Exercise Price shall be at an initial exercise price of HK\$0.037 per New Share (subject to adjustment) at which holder of the Warrants may subscribe for the New Shares.

The Exercise Price of HK\$0.037 represents:

- (i) a premium of approximately 94.74% to the closing price of HK\$0.019 per Share as at quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a premium of approximately 105.56% over the average of the closing prices of HK\$0.018 per Share for the last five trading days for the Shares prior to and including the Last Trading Day.

The Exercise Price was arrived at after arm's length negotiations between the Vendor and the Company with reference to (a) the closing price of HK\$0.019 per Share on the Last Trading Day; and (b) the lowest and highest closing price of HK\$0.013 per Share

and HK\$0.029 per Share respectively in the previous 52 weeks immediately before the Last Trading Day.

Given that the Exercise Price is HK\$0.037, it follows that the estimated value per Warrant is HK\$0.005 and therefore the total value of 6,000,000,000 Warrants is HK\$30,000,000, which is equivalent to the amount of the Consideration.

After taking into account that the Warrants are set to be conditional, the Directors consider that a term of two years of Exercise Period for Warrants is appropriate.

Based on the above, the Directors consider that the Exercise Price and the terms and conditions of the Warrants are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

It is intended that the total gross proceeds in the amount of up to HK\$222,000,000 from the potential exercise of the Warrants by the Vendor, less any expenses incurred by the Company for issuing the Warrants, will be applied as general working capital of the Company.

Adjustment of Exercise Price

Both the exercise price and the aggregate number of New Shares to be allotted and issued upon the exercise of the Warrants will be subject to adjustment based on the prescribed formulas as set out in the instrument (the “**Instrument**”) creating the Warrants in case of the happening of each of the following events:

- (a) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;
- (b) an issue (other than pursuant to a scrip dividend scheme 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 (as defined in the Instrument) being made by the Company, whether on a reduction of capital or otherwise, to holders of Shares (in their capacity as such);
- (d) a grant by the Company to holders of Shares (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries;
- (e) an offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe new Shares, at a price which is less than 80 per cent. of the market price (calculated as provided in the Instrument) being made by the Company to holders of Shares (in their capacity as such);
- (f) an issue wholly for cash being made by the Company or any of its subsidiaries of securities convertible into or exchangeable for or carrying rights of subscription

for new Shares, if in any case the total Effective Consideration (as defined in the Instrument) per new Share is less than 80 per cent. of the market price (calculated as provided in the Instrument), or the conversion, exchange or subscription rights of any such issue are altered so that the said total Effective Consideration is less than 80 per cent. of such market price;

- (g) an issue of Shares being made wholly for cash at a price less than 80 per cent. of the market price (calculated as provided in the Instrument); and
- (h) the purchase by the Company of Shares or securities convertible into Shares or any rights to acquire Shares (excluding any such purchase made on the Stock Exchange or any recognised stock exchange, being a stock exchange recognised for this purpose by the Executive Director of the Corporate Finance Division of the SFC and the Stock Exchange) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Exercise Price.

Every adjustment to the Exercise Price and the number of New Shares shall be certified either by the auditors of the Company or by an approved merchant bank.

Ranking of the New Shares

The New Shares, when fully paid and allotted, will rank pari passu in all respects among themselves and with the Shares then in issue.

Voting rights

The holder of the Warrants shall not be entitled to attend or vote at any general meetings of the Shareholders of the Company by reason only it being the holder of the Warrants.

Rule 21.02 of the GEM Listing Rules implications

Pursuant to Rule 21.02(1) of the GEM Listing Rules, the New Shares to be issued upon exercise of the Warrants must not, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the number of issued Shares at the time the Warrants are issued. Options granted under share option schemes which comply with Chapter 23 of the GEM Listing Rules are excluded for the purpose of such limit.

As at the date of the Announcement, the Company has 6,290,184,194 outstanding listed warrants issued by the Company pursuant to the Bonus Warrant Issue (representing approximately 14.73% of the number of issued Shares). Save for the above, the Company did not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

If all conditions precedent under the Agreement are fulfilled, the Company shall issue

1,500,000,000 Warrants (representing approximately 3.51% of the number of issued Shares) to the Vendor on Completion Date. The total number of outstanding warrants of the Company will then represent approximately 18.24% of the number of issued Shares, which is less than the 20% limit under Rule 21.02(1) of the GEM Listing Rules. The actual number of warrants to be issued for the 4,500,000,000 Warrants shall be determined by the number of warrants exercised pursuant to the Bonus Warrant Issue in 11 months' time and, if necessary, adjusted downward such that the total number of outstanding warrants of the Company shall be less than the 20% limit at all times.

Conditions of the Warrant Subscription

The issue of the Warrants is subject to the following terms and conditions under the Agreement:

- (1) the Company shall issue 1,500,000,000 Warrants (representing 25% of the Warrants) to the Vendor on the Completion Date upon fulfillment of all conditions precedent below;
- (2) the Company shall issue all or part of the 4,500,000,000 Warrants (representing 75% of the Warrants) to the Vendor 11 months after the Completion Date, taking into account the number of warrants then exercised pursuant to the Bonus Warrant Issue;
- (3) if the total number of warrants then exercised under the Bonus Warrant Issue is less than 4,500,000,000 Warrants, the actual number of Warrants to be issued by the Company to the Vendor shall be equivalent to the number of warrants exercised under the Bonus Warrant Issue and any unissued Warrants shall automatically lapse;
- (4) the (a) closing price of the Shares on each of the date(s) of exercising the Warrants; and (b) the average of the closing prices of the Shares for the last five trading days prior to and including each of the date(s) for exercising the Warrants, shall both be higher than HK\$0.1 per Share; and
- (5) the holder of the Warrants may freely transfer the Warrants, in integral multiples of 1,000,000 Warrants, to any transferee other than a connected person. Unless the approval from the Stock Exchange had been obtained, the holder of the Warrants shall be prohibited from transferring the Warrants to a connected person.

In the event that less than 4,500,000,000 Warrants are issued by the Company to the Vendor according to conditions (2) or (3) above, the balance of the Consideration of HK\$22,500,000 shall be adjusted downward automatically on a pro-rata basis.

Issue of New Shares under General Mandate

The New Shares will be allotted and issued pursuant to the General Mandate. The maximum number of Shares that can be issued under the General Mandate is

8,159,911,431 Shares. As at the date of the Agreement, (i) the Company has not allotted and issued any Shares pursuant to the General Mandate; and (ii) the General Mandate is sufficient for the allotment and issue of the New Shares. Accordingly, the issue of the New Shares will not be subject to Shareholders' approval at a general meeting.

Application for listing

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the New Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

Conditions precedent

Completion is conditional upon the satisfaction of all of the following conditions:

- (1) the Vendor having obtained all necessary consents and approvals relating to the Acquisition;
- (2) the Company having obtained all necessary consents and approvals relating to the Acquisition;
- (3) a valuation report of Skynet having been issued by an independent valuer appointed by the Company in the form and substance to the satisfaction of Company and the valuation of Skynet being not less than HK\$30,000,000; and
- (4) the Listing Committee granting the listing of and permission to deal in the New Shares.

In the event that the above conditions are not fulfilled on or before the date falling on six months from the date of the Agreement, the Agreement shall cease and determine and neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Completion

Subject to the fulfillment of the above conditions, Completion shall take place on the Completion Date.

INFORMATION OF SKYNET

Skynet is a company incorporated in Hong Kong with limited liability and is principally engaged in manufacturing and trading of satellite communication terminal products. As at the date of the Agreement, Skynet is beneficially wholly-owned by the Vendor.

FINANCIAL INFORMATION OF SKYNET

As Skynet was incorporated on 11 November 2015, the unaudited financial information of Skynet for the period from the date of incorporation to 31 December 2015 and for the ten months ended 31 October 2016 are set out below:

	For the year ended 31 December 2015 (HK\$)	For the ten months ended 31 October 2016 (HK\$)
Profit/(loss) before taxation	(12,800)	(3,252)
Profit/(loss) after taxation	-	-
Net assets	0	0

REASONS FOR AND BENEFITS OF THE ACQUISITION

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

Pursuant to the memorandum of understanding entered into by the Skynet with Thuraya and other parties set out above, Skynet will be entitled to invest in Thuraya's satellite networks and have exclusive rights of manufacturing and selling dual-mode data communication products. This will facilitate the Company to carry out its "Interactive Wealth Storm" business in "terminal + network" business model.

FUND RAISING EXERCISE BY THE COMPANY IN THE PAST TWELVE MONTHS

Set out below were the fund raising activities conducted by the Company in the past twelve months immediately preceding the date of the Announcement:

Date of announcement	Event	Gross proceeds (approximately)	Intended use of net proceeds	Actual use of net proceeds as at the date of the Announcement
31 December 2015 and 29 March 2016	Issue of 8,159,911,432 bonus warrants at an initial subscription price of HK\$0.0125 per bonus warrant share, subject to	of HK\$102 million	The net proceeds will be used for general working capital and business development purposes	The net proceeds will be used as intended

adjustment

EFFECT ON SHAREHOLDING STRUCTURE

As at the date of the Announcement, the Company has 42,709,284,196 Shares in issue. The shareholding structure of the Company (i) as at the date of the Announcement; and (ii) immediately after completion of the Warrant Subscription and full exercise of the subscription rights attaching to the Warrants (assuming that there is no change in the shareholding structure of the Company from the date of the Announcement to immediately prior to completion of the Warrant Subscription) is as follows:

		As at the date of the Announcement		Assuming completion of the Warrant Subscription and exercise of the Warrants in full	
		Number of Shares	Approximate %	Number of Shares	Approximate %
Honour Sky International Limited (Note 1)		10,783,683,830	25.25	10,783,683,830	22.14
Kuan Hsin Huei (Note 2)		1,637,440,000	3.83	1,637,440,000	3.36
Ruan Xiaoping (Note 2)		1,500,000,000	3.51	1,500,000,000	3.08
Yu Bin (Note 2)		988,160,000	2.31	988,160,000	2.03
Chen Yingjiu (Note 2)		602,400,000	1.41	602,400,000	1.24
Zheng Yan (Note 2)		581,120,000	1.36	581,120,000	1.19
Wang Jianjun (Note 2)		300,000,000	0.70	300,000,000	0.62
<u>Public Shareholders</u>					
The Vendor		40,000,000	0.09	6,040,000,000	12.40
Other public Shareholders		26,276,480,366	61.54	26,276,480,366	53.94
		<u>42,709,284,196</u>	<u>100.00</u>	<u>48,709,284,196</u>	<u>100.00</u>

Notes

- Honour Sky International Limited is a private company wholly and beneficially owned by China Technology Education Trust Association (the “Trust Association”). Accordingly, the Trust Association is interested in the Shares and the underlying Shares of the Company held by Honour Sky International Limited. The Trust Association is a society registered under the provisions of section 5A(1) of the Societies Ordinance in 2005, which is a charitable society providing charity and financial aid to education and employment in Hong Kong and Mainland China. Mr. Xiang Xin, an executive Director, is a chairman of the Trust Association.
- According to the disclosure of interest of the Stock Exchange, Kuan Hsin Huei, Ruan Xiaoping,

Yu Bin, Chen Yingjiu, Zheng Yan and Wang Jiajun are the parties acting in concert (the “Current Purported Consortium”) and each of them is interested in approximately 17.64% (including interest of shares, warrants and parties acting in concert) of the total issued share capital of the Company. As set out in the announcement of the Company dated 28 October 2016, the Company had invoked the investigation power under section 329 of SFO on 11 October 2016, by appointing and authorising Wilkinson & Grist, an independent legal adviser, to send notices to, among others: (a) members of the Current Purported Consortium; or (b) custodian banks or brokers (the “**Intermediaries**”). Based on the results of the investigation, it was noted that the declared interests of the Current Purported Consortium to date above were inconsistent with the information obtained by the Company from the investigation against the Intermediaries. The Company has fulfilled and will continue to fulfil its duty under section 330 of the SFO to inform the SFC and the Stock Exchange of any information the Company has received or receives during the investigation process.

GEM LISTING RULES IMPLICATION

As the relevant percentage ratios under the GEM Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules. The Acquisition is subject to the reporting and announcement requirements but is exempted from shareholders’ approval requirement under Chapter 19 of the GEM Listing Rules.

Save for the information above, the contents of the Announcement remain unchanged.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Company from the Vendor pursuant to the terms of the Sale and Purchase Agreement
“Agreement”	the conditional sale and purchase agreement dated 25 November 2016 entered into between the Vendor and the Company in relation to the Acquisition
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	board of Directors
“Bonus Warrant Issue”	the bonus issue of listed warrants (stock code: 8015) by the Company to the qualifying Shareholders on the basis of two bonus warrants for every five Shares held on the record date, details of which are set out in the announcements of the Company dated 31 December

2015 and 29 March 2016

“Company”	China Trends Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Completion Date”	the date of fulfillment of the conditions precedent as set out in the Agreement
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Consideration”	the total consideration for the acquisition of the Sale Shares
“Director(s)”	director(s) of the Company
“Exercise Period”	a term of two years commencing from the Completion Date
“Exercise Price”	an initial subscription price of HK\$0.037 per new Share (subject to adjustment) at which holder of the Warrants may subscribe for the New Shares
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate granted to the Directors at the annual general meeting of the Company held on 6 May 2016 to allot, issue and otherwise deal in up to 8,159,911,431 Shares
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s) who is/are independent of and not connected with the Directors, chief executive and substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates
“Last Trading Day”	25 November 2016, being the date of the Agreement

“New Share(s)”	new Share(s) which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the Warrant(s)
“Poly LM”	Poly LM Asset Management Co., Ltd, a company established in the PRC with limited liability
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Sale Shares”	the 10,000 shares of Skynet, representing the entire issued share capital of Skynet
“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 par value of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Skynet”	Skynet Satellite Data Limited, a company incorporated in Hong Kong with limited liability
“SRTW”	SRT Wireless LLC, a company incorporated in the United States of America with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Thuraya”	Thuraya Telecommunicaitons Company, a company incorporated in the United Arab Emirates with limited liability
“Vendor”	Mr. Cheung Kin Wah
“Warrant(s)”	up to 6,000,000,000 unlisted warrants to be issued by the Company to the Vendor, each entitles the holder thereof to subscribe for one New Share at the exercise price of HK\$0.037 (subject to adjustment) at any time during a period of two years commencing from the date of issue of the Warrants
“Warrant Subscription”	the subscription of the Warrants at nil issue price pursuant to the Agreement

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“US\$”	US dollar(s), the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 4 December 2016

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

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

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

For illustration purposes only and unless otherwise stated, all amounts denominated in US\$ in this announcement has been translated into HK\$ at the exchange rate of US\$1 = HK\$7.76.