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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)

(I) RIGHTS ISSUE ON THE BASIS OF FOUR RIGHTS SHARES FOR EVERY ONE SHARE HELD ON THE RECORD DATE; AND (II) UNUSUAL PRICE AND TRADING VOLUME MOVEMENTS

Underwriters to the Rights Issue



PROPOSED RIGHTS ISSUE

The Company proposes to raise approximately HK\$135 million before expenses by way of the Rights Issue of 3,374,958,000 Rights Shares at a subscription price of HK\$0.04 per Rights Share.

The Rights Issue is fully underwritten.

The Company will provisionally allot four nil-paid Rights Share for every one Share held by the Qualifying Shareholders whose names appear on the register of members of the Company on the Record Date. The Rights Issue is not available to the Prohibited Shareholders. The estimated net proceeds of the Rights Issue will be approximately HK\$132 million. The Company intends to use part of the net proceeds as to approximately HK\$100 million for the development of the Group's energy management contract business and the balance of approximately HK\$32 million as general working capital of the Group.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Rights Issue is subject to, among other things, the fulfillment or waiver of the conditions set out in the paragraph headed “Conditions of the Rights Issue” below. In particular, it is subject to the Underwriting Agreement not being rescinded or terminated in accordance with its terms. Accordingly, the Rights Issue may or may not proceed and the Shareholders and the public are reminded to exercise with caution when dealing in the Shares.

Any dealings in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form are recommended to consult their own professional advisers.

GENERAL

The Prospectus Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders as soon as practicable and the Prospectus will be despatched to the Prohibited Shareholders for information only.

UNUSUAL PRICE AND TRADING VOLUME MOVEMENTS

The Board has noted the increase in the price and trading volume of the shares of the Company on 28 April 2010 and wishes to state that, save as disclosed in this announcement, the Board is not aware of any reasons for such movements.

PROPOSED RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	Four Rights Share for every one Share held on the Record Date
Number of Shares in issue	:	843,739,500 Shares
Number of outstanding Share Options	:	27,500,000 Share Options entitling the holders thereof to subscribe for 27,500,000 Shares under the Share Option Scheme. Each of the holders of the Share Options has undertaken to the Company and the Underwriters not to exercise the Share Options prior to the Record Date.

Number of Shares convertible under the outstanding Convertible Bonds	:	4,760,000,000 Shares. Each of the holders of the Convertible Bonds has undertaken to the Company and the Underwriters not to exercise the conversion rights attached to the Convertible Bonds prior to the Record Date.
Number of Rights Shares	:	3,374,958,000 Rights Shares, which are fully underwritten.
Subscription price	:	HK\$0.04 per Rights Share
The enlarged issued share capital upon completion of the Rights Issue	:	4,218,697,500 Shares

The Rights Issue is fully underwritten. The Underwriters have agreed to underwrite 2,732,078,000 Rights Shares and have made sub-underwriting arrangement with certain sub-underwriters such that none of the Underwriters and the sub-underwriters will be interested in 30% or more of the issued share capital of the Company as enlarged by the Rights Shares upon completion of the Rights Issue. Other than Honour Sky, a sub-underwriter who has agreed to sub-underwrite 1,236,998,000 Rights Shares under sub-underwriting arrangement with Get Nice Securities, the Underwriters and all other sub-underwriters are Independent Third Parties. Morgan Strategic has undertaken to the Company and the Underwriters that it will subscribe for 642,880,000 Right Shares to which it is entitled under the Right Issue.

As at the date of this announcement, save for the Share Options and the Convertible Bonds, there were no other convertible securities or exchangeable of the Company outstanding.

Basis of provisional allotment

Four Rights Share for every one Share held by a Qualifying Shareholder on the Record Date. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for.

Subscription Price

The Subscription Price of HK\$0.04 per Rights Share is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 89.61% to the closing price of HK\$0.385 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (ii) a discount of approximately 63.30% to the theoretical ex-right price of HK\$0.109 per Share based on the closing price per Share on the Last Trading Day;
- (iii) a discount of approximately 88.57% to the average of the closing prices of Shares for five consecutive trading days up to and including the Last Trading Day of HK\$0.35;
- (iv) a discount of approximately 86.34% to the average of the closing prices of Shares for ten consecutive trading days up to and including the Last Trading Day of approximately HK\$0.293; and
- (v) a discount of approximately 94.37% to the audited consolidated net assets value per share of approximately HK\$0.71 as at 31 December 2009.

The Subscription Price has been determined based on arm's length negotiations between the Company and the Underwriters with reference to the volatility of the stock market and the prevailing Share price. The Directors consider that, in order to enhance the attractiveness of the Rights Issue given the current capital market atmosphere, it is appropriate to determine the Subscription Price at a considerable discount to the current market price of the Shares. The Rights Issue allows all Shareholders the opportunity to participate in the growth of the Company and will broaden shareholders' base of the Company without diluting the respective shareholdings of the Shareholders.

Qualifying Shareholders

The Company will provisionally allot the Rights Shares and send the Prospectus containing details of the Rights Issue to the Qualifying Shareholders and, for information only, to the Prohibited Shareholders. PALs and EAFs will be sent to the Qualifying Shareholders only.

To qualify for the Rights Issue, a Shareholder must be registered on the Record Date as a member of the Company and not be a Prohibited Shareholder.

In order to be registered as members of the Company on the Record Date, Shareholders must lodge the relevant transfers documents (with the relevant share certificates) with the Registrar, Union Registrars Limited at 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong by 4:00 p.m. on Tuesday, 1 June 2010.

Book close period

The register of members of the Company will be closed from Wednesday, 2 June 2010 to Monday, 7 June 2010, both dates inclusive, for the purpose of establishing entitlements to the Rights Issue. No transfer of the Shares will be registered during this period.

Rights of Prohibited Shareholders (if any)

The Prospectus will not be registered or filed under the securities legislation of any jurisdiction other than Hong Kong.

The Directors will make enquiries pursuant to Rule 17.41(1) of the GEM Listing Rules. If, after making such enquiries, the Directors are of the opinion that it would be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place to exclude such Overseas Shareholders from the Rights Issue, no Rights Shares will be offered to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Prohibited Shareholders. The Company will send the Prospectus to the Prohibited Shareholders for information only, but not PAL or EAF.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Prohibited Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence on the Stock Exchange and in any event before the last day for dealings in nil-paid Rights Shares if a premium (net of expenses) can be obtained. Proceeds of each sale, less expenses and stamp duty, of HK\$100 or more will be paid pro rata to the Prohibited Shareholders. The Company will retain individual amounts of less than HK\$100 for the benefit of the Company. Any unsold entitlements of the Prohibited Shareholders will be made available for excess application on EAFs by the Qualifying Shareholders.

Fractional entitlements to the Rights Shares

The Company will not provisionally allot fractions of Rights Shares. The aggregate of fractions of the Rights Shares will be sold by the Company in the market if a net premium can be obtained. Any unsold fractions of the Rights Shares will be made available for excess application by the Qualifying Shareholders.

Application for excess Rights Shares

Qualifying Shareholders may apply for any unsold entitlements of the Prohibited Shareholders, any unsold fractions of Rights Shares and any Rights Shares provisionally allotted but not accepted by any Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares.

Application can be made by completing the EAF and lodging the same with appropriate remittance for the excess Rights Shares.

- (i) The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on a sliding scale, with reference to the number of excess Rights Shares being applied for under each application (i.e. Qualifying Shareholders applying for smaller number of Rights Shares are allocated with a higher percentage of successful application but will receive less number of Rights Shares; whereas Qualifying Shareholders applying for larger number of Rights Shares are allocated with a smaller percentage of successful application but will receive higher number of Rights Shares). However, no preference will be given to topping-up odd lots to whole board lots.

Shareholders or potential investors should note that the number of excess Rights Shares which may be allocated to them may be different where they make applications for excess Rights Shares by different means, such as making applications in their own names as against through nominees who also hold Shares for other Shareholders or investors. Shareholders and investors whose Shares are held by a nominee company should note that for the purposes of the principles above, the Board will regard the nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders and investors whose Shares are registered in the name of nominee companies should note that the aforesaid arrangement in relation to the allocation of excess Rights Shares will not be extended to beneficial owners individually. Shareholders and investors should consult their professional advisers if they are in any doubt as to their status.

For investors whose Shares are held by their nominee(s) and would like to have their names registered on the register of members of the Company, they must complete the relevant registration with the Registrar by 4:00 p.m. on Tuesday, 1 June 2010.

Status of the Rights Shares

When issued and fully paid, the Rights Shares will rank pari passu in all respects with the existing Shares in issue. Holders of fully-paid Rights Shares will be entitled to receive all dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

Application for listings

The Company will apply to the Listing Committee of the Stock Exchange for the listings of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. The board lot size of nil-paid Rights Shares is the same as that of the fully-paid Rights Shares of 4,000 Shares.

No part of the share capital of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Stamp duty

Dealings in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the Registrar will be subject to the payment of stamp duty in Hong Kong.

Share certificates

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary mail at their own risk on Friday, 2 July 2010.

UNDERWRITING ARRANGEMENT

Undertakings

As at the date of the Underwriting Agreement,

- (i) there were 27,500,000 outstanding Share Options and each of the holders of the Share Options has given an irrevocable undertaking in favour of the Company and the Underwriters not to exercise any of the Share Options on or before the Record Date;
- (ii) there were outstanding Convertible Bonds in the principal amount of HK\$595,000,000 and each of the holders of the Convertible Bonds has given an irrevocable undertaking in favour of the Company and the Underwriters not to exercise the conversion rights attached to the Convertible Bonds on or before the Record Date; and
- (iii) Morgan Strategic, a substantial Shareholder holding 160,720,000 Shares, has given an irrevocable undertaking in favour of the Company and the Underwriters to subscribe for the 642,880,000 Rights Shares to which Morgan Strategic is entitled under the Rights Issue in the manner provided in the Underwriting Agreement.

Underwriting Agreement

Date : 28 April 2010 (after trading hours)

Issuer : The Company

Underwriters : VC Brokerage; and
Get Nice Securities

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Underwriters and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

Number of Underwritten Shares : 2,732,078,000 Rights Shares as to 1,495,080,000 Rights Shares to be underwritten by VC Brokerage and 1,236,998,000 Rights Shares to be underwritten by Get Nice Securities.

Commission : 2% of the aggregate Subscription Price in respect of the 2,732,078,000 Underwritten Shares, which was determined after arm's length negotiations between the Company and the Underwriters, and the Directors (including the independent non-executive Directors) are of the view that the commission is fair and reasonable.

Conditions of the Rights Issue

The Rights Issue is conditional on:

- (i) the passing of a resolution by the Independent Shareholders at the EGM to approve the Rights Issue as contained in the notice of EGM, by no later than the Prospectus Posting Date;
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms) by no later than the Prospectus Posting Date;
- (iii) compliance with and performance of all the undertakings and obligations of the Company under the Underwriting Agreement;
- (iv) compliance by the Company with all its obligations under the Underwriting Agreement in respect of its delivery of documents to the Underwriters;
- (v) the delivery to the Stock Exchange, filing and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors in compliance with section 342C of the Companies Ordinance (and all other documents required to be attached thereto) not later than the Prospectus Posting Date and otherwise in compliance with the GEM Listing Rules and the Companies Ordinance;

- (vi) the posting of the Prospectus Documents to Qualifying Shareholders on the Prospectus Posting Date;
- (vii) the despatch of the Circular on or before the Circular Despatch Date; and
- (viii) the performance of irrevocable undertakings by (a) each of the holders of the Share Options in favour of the Company and the Underwriters not to exercise the Share Options held by each of them; (b) each of the holders of the Convertible Bonds in favour of the Company and the Underwriters not to exercise the conversion rights attached to the Convertible Bonds held by each of them; and (c) Morgan Strategic in favour of the Company and the Underwriters to subscribe for the 642,880,000 Rights Shares to which Morgan Strategic is entitled under the Rights Issue.

If the conditions above are not satisfied and/or waived (in respect of conditions (iii) and (iv) only) by VC Brokerage (on behalf of the Underwriters) by the Latest Time for Termination, or such later date or dates as VC Brokerage (on behalf of the Underwriters) may agree with the Company in writing, the Underwriting Agreement shall terminate and (save in respect of certain provisions in the Underwriting Agreement and any rights or obligations which may accrue under the Underwriting Agreement prior to such termination) no party will have any claim against any other party for costs, damages, compensation or otherwise, save that all such costs, fees and other out-of-pocket expenses (including legal fee incurred by the Underwriters but excluding the sub-underwriting fees) as may have been properly incurred by the Underwriters in connection with the proposed Rights Issue or otherwise in connection with the arrangements contemplated by the Underwriting Agreement shall be borne by the Company absolutely.

The Underwriters shall, not later than the Latest Time for Termination, enter into binding agreement(s) with certain sub-underwriting agent(s), which shall be independent third party(ies) not connected or acting in concert (having the meaning under the Takeovers Code) with any directors, chief executive, management shareholders or substantial shareholder(s) of the Company or its subsidiaries or any of their respective associates, for sub-underwriting of the Rights Shares, such that the Underwriters together with parties acting in concert with it shall not have a mandatory offer obligation under Rule 26 of the Takeovers Code.

Rescission or termination of the Underwriting Agreement

If prior to the Latest Time for Termination, in the reasonable opinion of VC Brokerage (on behalf of the Underwriters):

- (i) the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the opinion of VC Brokerage (on behalf of the Underwriters) materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (b) the occurrence of any local, national or international event or change whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement, of a political, military, financial, economic, industrial, fiscal, currency or market condition or equity securities or stock or other financial market conditions or any monetary or trading settlement system or conditions of other nature (whether or not ejusdem generis with any of the foregoing); or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, which may, in the opinion of VC Brokerage (on behalf of the Underwriters) materially and adversely affect the financial or trading position or prospects of the Group as a whole; or
 - (c) any material adverse change in the business or in the financial or trading position or prospectus of the Group as a whole; or
 - (d) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, China or any other jurisdiction that are relevant to the Group's principal business; or
 - (e) any material litigation or claim or proceedings (including but not limited to petition for winding up or liquidation) being instigated or threatened against the Company or any of the members of the Group; or
- (ii) any change in, or any event or series of events likely to result in any change in fiscal or monetary policy or foreign exchange or currency markets suspension or restriction of trading in securities, and a change in currency conditions (including without limitation a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) in China, Hong Kong or any other member of the European Union, or any jurisdiction that are relevant to the Group's principal business occurs which in the opinion of VC Brokerage (on behalf of the Underwriters) makes it inexpedient or inadvisable to proceed with the Rights Issue; or

- (iii) any event of force majeure affecting China, Hong Kong or any jurisdiction that are relevant to the Group's principal business including without limiting the generality thereof, any act of God, war, outbreak or escalation of hostilities (whether or not war is declared) or act of terrorism, or declaration of a notational or international emergency or war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic (including SARS or H5N1 or such related mutated forms), outbreak of an infectious disease, clamity, crisis, strike or lock-out (whether or not covered by insurance); or
- (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary under/or the Hong Kong Monetary Authority or otherwise); or
- (v) there shall have occurred, developed, existed or come into effect any material breach by the Company of any provisions of the Underwriting Agreement;
- (vi) there shall have occurred, developed, existed or come into effect any event, act or omission which gives or is likely to give rise to any material liability of the Company pursuant to the indemnities referred to in the Underwriting Agreement; or
- (vii) the Circular or the Prospectus Documents when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the GEM Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the reasonable opinion of VC Brokerage (on behalf of the Underwriters) is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it; or
- (viii) any suspension in trading of the Shares on the Stock Exchange for more than five consecutive business days,

VC Brokerage (on behalf of the Underwriters) shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

VC Brokerage (on behalf of the Underwriters) shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (i) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriters; or
- (ii) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect comes to the knowledge of the Underwriters.

Any such notice shall be served by VC Brokerage (on behalf of the Underwriters) prior to the Latest Time for Termination.

If VC Brokerage (on behalf of the Underwriters) rescinds or terminates the Underwriting Agreement in accordance with the terms thereof, the Rights Issue will not proceed.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Rights Issue is subject to, among other things, the fulfillment or waiver of the conditions set out in the paragraph headed “Conditions of the Rights Issue” above. In particular, it is subject to the Underwriting Agreement not being rescinded or terminated in accordance with its terms. Accordingly, the Rights Issue may or may not proceed and the Shareholders and the public are reminded to exercise with caution when dealing in the Shares.

Any dealings in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form are recommended to consult their own professional advisers.

EXPECTED TIMETABLE

2010

Despatch of the Company’s circular with notice of EGM	Wednesday, 19 May
Last day of dealings in the Shares on a cum-rights basis	Friday, 28 May
Commencement of dealings in the Shares on an ex-rights basis	Monday, 31 May
Latest Time for Lodging	4:00 p.m. on Tuesday, 1 June
Book close period to determine the entitlements to the Rights Issue (both dates inclusive)	Wednesday, 2 June to Monday, 7 June
Latest time for return of the form of proxy for use at the EGM	11:00 a.m. on Saturday, 5 June
Record Date	Monday, 7 June

EGM	11:00 a.m. on Monday, 7 June
Announcement of results of EGM on the respective websites of the Company and the Stock Exchange	By 11:00 p.m. on Monday, 7 June
Register of members re-opens	Tuesday, 8 June
Prospectus Documents to be posted	Wednesday, 9 June
First day of dealings in nil-paid Rights Shares	Friday, 11 June
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Tuesday, 15 June
Last day of dealings in nil-paid Rights Shares	Monday, 21 June
Latest time for acceptance of and payment for the Rights Shares	4:00 p.m. on Thursday, 24 June
Underwriting Agreement becomes unconditional	4:00 p.m. on Tuesday, 29 June
Announcement of the results of the Rights Issue to be published	Tuesday, 29 June
Refund cheques for wholly and partially unsuccessful excess applications to be posted	Friday, 2 July
Share certificates for Rights Shares to be posted	Friday, 2 July
Dealings in fully-paid Rights Shares commences	Tuesday, 6 July

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group is principally engaged in sales and marketing of information technology products and solutions.

The estimated net proceeds of the Rights Issue will be approximately HK\$132 million. The Company intends to use part of the net proceeds as to approximately HK\$100 million for the development of the Group's energy management contract business and the balance of approximately HK\$32 million as general working capital of the Group.

According to the 關於加快推行合同能源管理促進節能服務產業發展的意見 (Opinion to Accelerate the Energy Management Contract and Facilitate the Energy-Saving Sector Development[#]) (the “**Development Option**”) jointly formulated by National Development and Reform Commission, Ministry of Finance, People’s Bank of China and State Administration of Taxation, the work objectives of the PRC government is to push ahead the development of energy-saving sector services. The PRC government aims to support and foster a group of specialised energy-saving services companies and expand a group of integrated large-scale energy-saving services companies by 2012, thereby establishing a dynamic, distinguished and regulated energy-saving services market. By 2015, the PRC government expects to establish a more comprehensive energy-saving services system, further expand the specialised energy-saving services companies, further strengthen its service capabilities and further expand its service areas, turning energy management contract into one of the major means of energy-saving restructuring implemented by the users.

The Development Opinion will include energy management contract within the scope of investment of the central budget and central energy-saving and emission reduction special fund, subsidies or incentive support policies. The PRC government has also implemented taxation preferential policies on energy management contract, including the business tax exemption of energy-saving services companies for the taxable income generated from the implementation of energy management contract; the value-added tax exemption of for assets transferred to the user at nil consideration as a results of the implementation of the energy management contract project; three-year full enterprise income tax exemption since the first profitable year, followed by two-year 50% reduction of enterprise income tax.

The Development Opinion also encourages the innovation of credit products, expansion of the scope of guarantee, rationalisation of application and approval procedures by financial institutions such as banks based on the characteristics of financing needs of the energy-saving services companies in order to provide project financing and insurance services to energy-saving services companies. In addition, the fixed assets injected by the energy-saving services companies upon the implementation of the energy management contract project may apply for secured loans from the banks according to the relevant requirements. The PRC government is also in favour of the implementation of sizeable, branded and networked operation through merger and acquisition, joint venture and restructuring of the energy-saving services companies, thus becoming a large-scale services enterprise with a renowned brand and strong competitiveness.

Energy management contract is a new market-based energy saving mechanism that has evolved in western developed countries since 1970s. It is not to market a product or a technology, but a financial management method to reduce the energy costs. Energy management contract refers to a commercial operating model that the energy-saving services companies provide its clients with a complete set of energy saving services, including energy auditing, project design, project financing, equipment sourcing, engineering construction, equipment installation and commissioning and personnel training. As a result, they will share a certain percentage of the energy saving efficiency realised by the clients’ energy saving measures. The clients of the energy-saving services companies do not need to pay for fund and technology required by implementation of energy saving or bear relevant risks. On the contrary, they can reduce the energy costs more quickly, benefit from the energy efficiency and have the equipment provided by the energy-saving services companies.

The Directors consider that to provide energy management contract, the Group can enjoy the state's preferential policies and enhance the revenue of the Group. The Group is also intends to make use of the listing status of the Company to implement a sizeable network operation through merger and acquisition and formation of joint venture with other companies.

Given that the net proceeds from the Rights Issue would enhance the Company's capital base and would not incur any interest expenses burden to the Group as compared to debt financing, the Directors (including the independent non-executive Directors) believe that raising fund by way of the Rights Issue is in the interests of the Company and the Shareholders as a whole.

SHAREHOLDING STRUCTURE

Set out below are the shareholding structures of the Company immediately before and upon completion of the Rights Issue:

			Immediately after the completion of the Rights Issue assuming that all Qualifying Shareholders have taken up their entitlement in full		Immediately after completion of the Rights Issue assuming that none of the Qualifying Shareholder has taken up their entitlements except Morgan Strategic	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Morgan Strategic (Note 1)	160,720,000	19.05	803,600,000	19.05	803,600,000	19.05
Nopo Group Limited	140,000,000	16.59	700,000,000	16.59	140,000,000	3.32
Jo Won Seob	72,700,000	8.62	363,500,000	8.62	72,700,000	1.72
VC Brokerage	-	-	-	-	1,495,080,000	35.44
Get Nice Securities (Note 2)	-	-	-	-	1,236,998,000	29.32
Other public Shareholders:	470,319,500	55.74	2,351,597,500	55.74	470,319,500	11.15
Public Shareholders Sub-total:	470,319,500	55.74	2,351,597,500	55.74	3,202,397,500	75.91
Total	<u>843,739,500</u>	<u>100.00</u>	<u>4,218,697,500</u>	<u>100.00</u>	<u>4,218,697,500</u>	<u>100.00</u>

Notes:

1. Morgan Strategic has undertaken to the Company and the Underwriters that it will subscribe for 642,880,000 Right Shares to which it is entitled under the Right Issue.
2. Honour Sky, a sub-underwriter who has agreed to sub-underwrite 1,236,998,000 Rights Shares under sub-underwriting arrangement with Get Nice Securities.

Based on the present shareholding of the Company set out above, the sub-underwriting arrangements as mentioned in the paragraph headed “Conditions of the Rights Issue” in this announcement and to the best information of the Company, the Company is not aware of any Shareholder who would, as a result of taking up the Rights Shares to which he/she/it is entitled under the Rights Issue, incur an obligation to make a general offer under the Takeovers Code.

ADJUSTMENTS TO SHARE OPTIONS AND THE CONVERTIBLE BONDS

Adjustments to the exercise or conversion prices and/or number of Shares issuable in respect of the Share Options and Convertible Bonds may be required under the relevant terms of the Share Option Scheme and the respective instruments. The Company will appoint an approved merchant bank or the auditors of the Company to certify the necessary adjustments, if any, to the exercise or conversion prices and/or number of Shares issuable in respect of the Share Options and Convertible Bonds. Further announcement will be made by the Company in this regard.

PREVIOUS FUND RAISING EXERCISES OF THE COMPANY

There has not been any fund raising exercise conducted by the Company in the past 12 months immediately preceding the date of this announcement.

LISTING RULES IMPLICATIONS

Since the Rights Issue will increase the issued share capital and the market capitalisation of the Company by more than 50%, pursuant to Rule 10.29(1) of the GEM Listing Rules, the relevant resolutions regarding the Rights Issue must be made conditional upon approval by the Shareholders at the EGM and any controlling Shareholders and their associates shall abstain from voting in favour of the relevant resolutions. Since there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates (as defined under the Listing Rules) will abstain from voting in favour of the relevant resolutions relating to the Rights Issue. Accordingly, each of Mr. Xiang Xin, Mr. Yang Gaocai, Mr. Wong Chak Keung and Mr. Law Gerald Edwin, being the executive Directors and their respective associates will abstain from voting in favour of the resolution relating to the Rights Issue if any of them has remained as a Director and/or senior management of the Company and holds Shares as at the date of the EGM. As Honour Sky, which Mr. Xiang's family member(s) (excluding Mr. Xiang) is/are the ultimate beneficiaries of such company, has agreed to sub-underwrite 1,236,998,000 Rights Shares under sub-underwriting arrangement with Get Nice Securities, each of Honour Sky, Mr. Xiang Xin and their respective associates will also be required to abstain from voting in favour of the resolution relating to the Rights Issue. None of Honour Sky, Mr. Xiang Xin, Mr. Yang Gaocai, Mr. Wong Chak Keung, Mr. Law Gerald Edwin and their respective associates are interested in any Shares as at the date of this announcement.

INDEPENDENT BOARD COMMITTEE

An independent board committee will be established to consider the terms of the Rights Issue and advise the Independent Shareholders accordingly. An independent financial adviser will be appointed to give an opinion to the independent board committee of the Company and the Independent Shareholders in this respect.

GENERAL

A circular containing, among other things, (i) further details of the Rights Issue; (ii) letters from the independent board committee of the Company and the independent financial adviser; (iii) financial and other information on the Group; and (iv) the notice convening the EGM will be sent to the Shareholders as soon as possible.

If the Independent Shareholders approve the Rights Issue at the EGM, the Company will then send the Prospectus containing details of the Rights Issue to the Qualifying Shareholders and, for information only, to the Prohibited Shareholders (if any). PALs and EAFs will also be sent to the Qualifying Shareholders.

UNUSUAL PRICE AND TRADING VOLUME MOVEMENTS

The Board has noted the increase in the price and trading volume of the shares of the Company on 28 April 2010 and wishes to state that, save as disclosed in this announcement, the Board is not aware of any reasons for such movements.

Save as disclosed above, the Board confirms that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Chapters 19 and 20 of the GEM Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by rule 17.10 of the GEM Listing Rules, which is or may be of a price-sensitive nature.

DEFINITIONS

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

“associates”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Company”	China Trends Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM

“Convertible Bonds”	convertible bonds in the principal amount of HK\$595,000,000 issued by the Company on 30 December 2009 of which 4,760,000,000 Shares may be issued pursuant thereto at the conversion price of HK\$0.125 per Share (subject to adjustment)
“Director(s)”	director(s) of the Company
“EAF(s)”	the form(s) of application for excess Rights Shares in the agreed form
“EGM”	the extraordinary general meeting of the Company to be held on Monday, 7 June 2010 (or such other date as may be agreed between the Company and the VC Brokerage (on behalf of the Underwriters)) for the purpose, inter alia, considering and approving the Rights Issue
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Get Nice Securities”	Get Nice Securities Limited, a licensed corporation to carry out business in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Honour Sky”	Honour Sky International Limited, a company incorporated in the British Virgin Islands with limited liability and Mr. Xiang is the sole director of the company and Mr. Xiang’s family member(s) (excluding Mr. Xiang) is/are the ultimate beneficiaries of such company
“Independent Shareholders”	Shareholders other than the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates (as defined under the GEM Listing Rules)
“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons

“Last Trading Day”	28 April 2010, being the last full trading day before the release of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Thursday, 24 June 2010 or such other date and/or time as may be agreed between the Company and VC Brokerage (on behalf of the Underwriters), being the latest time for acceptance of the offer of the Rights Shares
“Latest Time for Lodging”	4:00 p.m. on Tuesday, 1 June 2010 or such other date and/or time as may be agreed between the Company and VC Brokerage (on behalf of the Underwriters), being the latest date for the lodging of any transfer form in respect of the Shares in order for a transferee to qualify for the Rights Issue
“Latest Time for Termination”	4:00 p.m. on Tuesday, 29 June 2010 or such other time and/or date as may be agreed between the Company and VC Brokerage (on behalf of the Underwriters)
“Morgan Strategic”	Morgan Strategic Limited, a company incorporated in the British Virgin Islands and a substantial Shareholder
“Overseas Shareholder(s)”	Shareholder(s) whose registered address(es) as shown in the register of members of the Company on the Record Date is(are) outside of Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be used in connection with the Rights Issue in the agreed form
“Prohibited Shareholders”	those Overseas Shareholders to whom the Company, after making enquiries regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant overseas regulatory bodies or stock exchanges, consider it necessary or expedient to exclude them from the Rights Issue
“Prospectus”	the prospectus to be issued to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and EAF
“Prospectus Posting Date”	Wednesday, 9 June 2010 or such other date as VC Brokerage (on behalf of the Underwriters) may agree in writing with the Company

“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company (other than HKSCC Nominees Limited) and the Shareholders whose names appear in the record of nominee companies or CCASS Participants on the Record Date, other than the Prohibited Shareholders
“Record Date”	Monday, 7 June 2010, the date by reference to which entitlements to the Rights Issue are to be determined, or such other date as may be agreed between the Company and VC Brokerage (on behalf of the Underwriters)
“Registrar”	Union Registrars Limited of 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, the Hong Kong branch share registrars of the Company
“Rights Issue”	the issue by way of rights of four Rights Share for every one Share held on the Record Date at the Subscription Price
“Rights Share(s)”	3,374,958,000 new Shares proposed to be offered to Qualifying Shareholders by way of rights on the terms set out in the Underwriting Agreement and in the Prospectus
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	Share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Share Options”	the outstanding options granted by the Company to subscribe for an aggregate of 27,500,000 Shares pursuant to the Share Option Scheme, of which each holder has given an irrevocable undertaking in favour of the Company and the Underwriters not to exercise on or before the Record Date
“Share Option Scheme”	the share option scheme adopted by the Company on 16 July 2002
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.04 per Rights Share under the Rights Issue
“substantial shareholder”	has the meaning ascribed thereto under the GEM Listing Rules
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers

“Underwriters”	VC Brokerage and Get Nice Securities
“Underwriting Agreement”	the underwriting agreement dated 28 April 2010 entered into between the Company and the Underwriters in respect of the Rights Issue
“Underwritten Shares”	2,732,078,000 Rights Shares
“VC Brokerage”	VC Brokerage Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%” or “per cent.”	percentage or per centum

On behalf of the board of
China Trends Holdings Limited
Xiang Xin
Chairman

Hong Kong, 28 April 2010

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

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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.