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

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

**If you have sold or transferred** all your shares in China Trends Holdings Limited (the “**Company**”), 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 or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**CHINA TRENDS HOLDINGS LIMITED**  
**中國趨勢控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8171)

**PROPOSED REFRESHMENT OF GENERAL MANDATE,  
ADOPTION OF NEW SHARE OPTION SCHEME,  
AND TERMINATION OF EXISTING SHARE OPTION SCHEME,  
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION,  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee  
and Independent Shareholders**



**Grand Vinco Capital Limited**

*A wholly-owned subsidiary of Vinco Financial Group Limited*

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A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 10 of this circular. A letter from Grand Vinco Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 18 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 25/F, No. 9 Des Voeux Road West, Sheung Wan, Hong Kong on Monday, 1 November 2010 at 11:00 a.m. is set out on pages 32 to 48 of this circular. A form of proxy for use at the extraordinary general meeting is enclosed with this circular.

Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and deposit the same at the offices of the Company's 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 as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment 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.*

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## CHARACTERISTICS OF GEM

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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

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

“Articles”	the articles of association of the Company, and “Article” shall mean an article of the Articles
“associate(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors
“CG Code”	the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules
“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
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at 11:00 a.m. on Monday, 1 November 2010 at 25/F, No. 9 Des Voeux Road West, Sheung Wan, Hong Kong
“Existing Scheme”	the existing share option scheme adopted by the Company pursuant to an ordinary resolution of the Company passed on 16 July 2002
“Existing General Mandate”	the general mandate granted to the Directors at the annual general meeting of the Company held on 14 June 2010 to allot, issue or otherwise deal in up to 168,747,900 new Shares
“Existing Scheme Limit”	the total number of Shares in respect of which options may be granted pursuant to the Existing Scheme, not exceeding 10% of the issued share capital of the Company as at the date of passing the relevant resolution to approve the general limit at an annual general meeting of the Company on 30 June 2009
“GEM”	Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

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## DEFINITIONS

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“Group”	the Company and all of its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company formed by the independent non-executive Directors to advise the Independent Shareholders on the refreshment of the Existing General Mandate
“Independent Shareholders”	any Shareholders other than controlling Shareholders (has the meaning ascribed to it under the GEM Listing Rules) and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Issue Mandate”	the issue mandate proposed to be granted to the Directors at the EGM to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company on the date of the EGM and to extend the issue mandate to include the Shares repurchased under the Repurchase Mandate
“Latest Practicable Date”	5 October 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Memorandum”	the memorandum of association of the Company
“New Scheme”	the share option scheme proposed to be adopted by the Company at the EGM, a summary of the principal terms of which is set out in Appendix I to this circular
“Participants”	any person who satisfies the eligibility criteria under the Existing Scheme or the New Scheme
“Repurchase Mandate”	the general mandate to repurchase Shares of the Company which will be proposed to be granted to the Directors at the EGM
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)

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## DEFINITIONS

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“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Scheme Mandate Limit”	the total number of Shares which may be issued upon exercise of all options that may be granted under the New Scheme and all other share option scheme(s) of the Company and which must not in aggregate exceed 10 percent of the Shares in issue as at the date of passing the relevant resolution approving the New Scheme
“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
“Vinc Capital”	Grand Vinc Capital Limited, a wholly-owned subsidiary of Vinc Financial Group Limited (stock code: 8340), a corporation licensed to carry out business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the refreshment of General Mandate
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Xiang Xin (*Chairman*)

Mr. Yang Gaocai

Mr. Wong Chak Keung

Mr. Law Gerald Edwin

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Independent non-executive Directors:*

Mr. Zhang Zhan Liang

Ms. Lu Yuhe

Mr. Kwok Chi Hung

*Principal place of business*

*in Hong Kong:*

26/F, No. 9 Des Voeux Road West

Sheung Wan

Hong Kong

8 October 2010

*To the Shareholders, and for information only,*

*holder(s) of share options and convertible bonds of the Company*

Dear Sir or Madam,

**PROPOSED REFRESHMENT OF GENERAL MANDATE,  
ADOPTION OF NEW SHARE OPTION SCHEME,  
AND TERMINATION OF EXISTING SHARE OPTION SCHEME,  
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION,  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**1. INTRODUCTION**

The purpose of this circular is to provide you with information regarding the following resolutions to be proposed at the EGM relating to:

(a) refreshment of the Existing General Mandate;

(b) adoption of the New Scheme;

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## LETTER FROM THE BOARD

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- (c) termination of the Existing Scheme; and
- (d) amendments to the Articles.

### **2. REFRESHMENT OF GENERAL MANDATE TO ISSUE AND ALLOT SHARES**

At the annual general meeting of the Company held on 14 June 2010, the Shareholders approved, among other things, an ordinary resolution to grant to the Directors the Existing General Mandate to allot and issue up to 168,747,900 Shares which has not been utilized up to the Latest Practicable Date.

In order to provide flexible means for the Company to raise funds for its future business development and/or through the issue of new Shares, the Board proposes to grant the Issue Mandate for the Directors to allot, issue and otherwise deal with new Shares with an aggregate nominal amount of not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of EGM. The Issue Mandate is proposed to the Shareholders prior to the Company's next annual general meeting, and therefore, under the GEM Listing Rules, the Issue Mandate will be subject to the Independent Shareholders' approval by way of poll at the EGM.

As at the Latest Practicable Date, a total of 6,635,001,932 Shares were in issue. Subject to the passing of the proposed resolution for granting the Issue Mandate to the Directors and on the basis that no Shares will be issued or repurchased by the Company prior to the EGM, the Company will be allowed under the Issue Mandate to issue a maximum of 1,327,000,386 Shares.

The Independent Board Committee, comprising Mr. Zhang Zhan Liang, Ms. Lu Yuhe and Mr. Kwok Chi Hung, all being the independent non-executive Directors, has been formed to consider the granting of the Issue Mandate. Vinco Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Pursuant to Rule 17.42A(1) of the GEM Listing Rules, any controlling Shareholders and their associates, or where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution to approve the granting of the Issue Mandate to be proposed at the EGM.

Since there are no controlling Shareholders as at the Latest Practicable Date, the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates will abstain from voting in favour of the relevant resolution relating to the refreshment of the Existing General Mandate. 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 such resolutions. As at the Latest Practicable Date, Mr. Xiang Xin and Mr. Wong Chak Keung and their associates who in aggregate have control or are entitled to control 1,650,914,973 Shares and 14,120,000 Shares respectively (representing approximately



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## LETTER FROM THE BOARD

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24.88% and 0.21% respectively of the issued share capital of the Company) are required to abstain from voting in favour thereon. As at the Latest Practicable Date, no other Directors are interested in any Shares.

The Company wishes to maintain the flexibility for future business development and fund raising opportunities hence considers it in the interest of the Company to take advantage of the EGM to be convened to approve the refreshment of the Existing General Mandate although there are no immediate plans at present to issue any new Shares under the Issue Mandate.

### **3. ADOPTION OF THE NEW SCHEME AND TERMINATION OF THE EXISTING SCHEME**

The Directors propose to adopt the New Scheme which will be put to the Shareholders for approval at the EGM. The Existing Scheme, which was adopted on 16 July 2002, will be terminated upon and subject to the adoption of the New Scheme.

The adoption of the New Scheme is subject to:

- (a) the approval of the Shareholders at the EGM; and
- (b) the Stock Exchange granting approval of the listing of and permission to deal in the Shares to be issued under the New Scheme.

Application will be made to the Stock Exchange for the grant of listing of and permission to deal in the Shares to be issued under the New Scheme representing up to 10% of the issued share capital of the Company as at the date of EGM.

The Directors believe that attracting and motivating high quality personnel is a key to the success and growth of the Group. The Existing Scheme was adopted on 16 July 2002. As the Existing Scheme will expire shortly on 15 July 2012, the Directors consider that it is in the interest of the Company to adopt the New Scheme in compliance with Chapter 23 of the GEM Listing Rules to replace the Existing Scheme.

As at the Latest Practicable Date, there were 82,352,941 outstanding options under the Existing Scheme. The Board has no intention of granting any further options under the Existing Scheme during the period from the Latest Practicable Date up to the date of EGM. It is proposed that subject to adoption of the New Scheme, the Existing Scheme will be terminated with effect from the adoption of the New Scheme.

As at the Latest Practicable Date, there were 6,635,001,932 shares in issue. On the basis that no further Shares will be issued or repurchased by the Company prior to the EGM, the maximum number of Shares to be issued under the New Scheme that can be granted by the Company under the 10% of the Scheme Mandate Limit would be 663,500,193 Shares.

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## LETTER FROM THE BOARD

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The Directors believe that the New Scheme will continue to provide Participants with the opportunity of participating in the growth of the Group by acquiring shares in the Company and may, in turn, assist in the attraction and retention of talents who have made contributions to the success of the Group. The purpose of the New Scheme is to provide incentive to Participants to contribute further to the Group. The Board believes that the authority given to the Board under the New Scheme to specify any minimum holdings period and/or performance targets as conditions in any option granted and the requirement for a minimum subscription price as well as the authority to select the appropriate Participants as prescribed by the rules of the New Scheme will serve to protect the value of the Company as well as to achieve these purposes of retaining and motivating high quality personnel to contribute to the Group.

The Directors consider that it is not appropriate to state the value of all options that can be granted pursuant to the New Scheme as if they had been granted at the Latest Practicable Date. The Directors believe that any statement regarding the value of the options as at the Latest Practicable Date will not be meaningful to the Shareholders, taking into account the number of variables which are crucial for the calculation of the option value which have not been determined. Such variables include the subscription price, exercise period, any lock-up period and performance targets which the Directors may set under the New Scheme and other relevant variables. In the premises, the Directors are of the view that the value of the options depends on a number of variables which are either difficult to ascertain or can only be ascertained subject to a number of theoretical basis and speculative assumptions. Accordingly, the Directors believe that any calculation of the value of the options will not be meaningful and may be misleading to the Shareholders in the circumstances. None of the Directors is or will be a trustee of the New Scheme or have a direct or indirect interest in any such trustee.

A summary of the principal terms of the New Scheme is set out in Appendix I to this circular. This serves as a summary of the terms of the New Scheme but does not constitute the full terms of the same. The full terms of the New Scheme can be inspected at the principal place of business in Hong Kong of the Company at 26/F, No. 9 Des Voeux Road West, Sheung Wan, Hong Kong from the date of this circular up to and including the date of EGM and at the EGM.

To the best knowledge of the Directors, no Shareholders have a material interest in the New Scheme different to that of any other Shareholders and accordingly, no Shareholders, will have to abstain from voting at the EGM. Under the Existing Scheme, the Company may by ordinary resolution in general meeting at any time terminate the operation of such scheme. An ordinary resolution will therefore be proposed for the approval of the Shareholders at the EGM that, subject to approval and adoption of the New Scheme by the Shareholders at the EGM, the Existing Scheme be terminated and no further options be granted under the Existing Scheme but the options which have been granted during the life of the Existing Scheme shall continue to be exercisable in accordance with their terms of issue and the provisions of Chapter 23 of the GEM Listing Rules.

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## **LETTER FROM THE BOARD**

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### **4. AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

Effective from 1 January 2009, various provisions of the GEM Listing Rules relating to, among other things, the use of websites for communication with Shareholders, voting at general meetings and notice of general meetings have been amended. To align the provisions of the Articles with the requirements of the GEM Listing Rules, a special resolution will be proposed at the EGM to amend the Articles to the effect that:

- (a) at least 20 clear business days' notice shall be given in respect of annual general meeting of the Company and at least 10 clear business days' notice shall be given in respect of all other general meeting of the Company;
- (b) all resolutions at general meetings of the Company shall be voted by poll;
- (c) subject to the GEM Listing Rules, the Company may send or supply corporate communications (as defined in the GEM Listing Rules) to Shareholders by making them available on the Company's own website; and
- (d) the application of section 8 of the Electronic Transactions Law of the Cayman Islands is excluded so that the Company can take advantage of delivery by electronic means to the fullest extent as allowed under the GEM Listing Rules.

Please refer to the full text of the special resolution for details of the proposed amendments to the Articles as set out in the notice of the EGM.

### **5. 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 Company. 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 aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

### **6. VOTING BY POLL**

In accordance with the GEM Listing Rules, any vote of shareholders at a general meeting must be taken by poll. As such, the resolutions set out in the notice convening the EGM will be voted by poll.

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## LETTER FROM THE BOARD

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### 7. ACTION TO BE TAKEN

Whether or not you intend to attend the EGM, you are requested to complete and return the form of proxy accompanying this circular in accordance with the instructions printed thereon not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. The completion and return of a form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof in person if you so wish.

### 8. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on page 10 of this circular which contains its recommendation to the Independent Shareholders in respect of the resolution to approve the Existing General Mandate.

The advice of Vinco Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as to whether the terms of the refreshment of the Existing General Mandate are in the interest of the Company and its Shareholders as a whole, are set out on pages 11 to 18 of this circular.

The Directors consider that the ordinary resolution for approving the adoption of the New Scheme and the termination of the Existing Scheme and the special resolution for approving the amendments to the Articles of Association are also in the best interests of the Company and the Shareholders as a whole and accordingly recommend that you should vote in favour of the resolutions referred to above to be proposed at the EGM.

### 9. GENERAL

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

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

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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)

8 October 2010

*To the Independent Shareholders*

Dear Sir or Madam,

**REFRESHMENT OF GENERAL MANDATE**

We refer to the circular of the Company dated 8 October 2010 (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed to advise the Independent Shareholders as to whether the refreshment of the Existing General Mandate is in the best interest of the Company and its Shareholders, and fair and reasonable so far as the Independent Shareholders are concerned. Vinco Capital has been appointed as the Independent Financial Adviser to advise you and us in this respect.

Having considered the advice of Vinco Capital in relation to the refreshment of the Existing General Mandate as set out on pages 11 to 18 of the Circular, we are of the opinion that the refreshment of the Existing General Mandate is in the interest of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned. We therefore recommended that you vote in favour of the ordinary resolution to be proposed at the EGM for the refreshment of the Existing General Mandate.

Yours faithfully,

**Independent Board Committee**

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

**Lu Yuhe**  
*Independent Non-executive  
Director*

**Kwok Chi Hung**  
*Independent Non-executive  
Director*

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## LETTER FROM VINCO CAPITAL

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*The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in connection with the proposed refreshment of the Existing General Mandate, which has been prepared for the purpose of incorporation in this circular:*

**VINCO**  城高  
**Grand Vinco Capital Limited**  
Units 4909-4910, 49/F, The Center  
99 Queen's Road Central, Hong Kong

8 October 2010

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

Dear Sirs,

### **PROPOSED REFRESHMENT OF GENERAL MANDATE**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the proposed refreshment of the Existing General Mandate, details of which are set out in the circular (the "Circular") issued by the Company to the Shareholders dated 8 October 2010 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

At the annual general meeting of the Company held on 14 June 2010, the Shareholders approved, among other things, an ordinary resolution to grant to the Directors the Existing General Mandate to allot and issue up to 168,747,900 Shares which has not been utilized up to the Latest Practicable Date.

In order to provide flexible means for the Company to raise funds for its future business development and/or through the issue of new Shares, the Board proposes to grant the Issue Mandate for the Directors to allot, issue and otherwise deal with new Shares with an aggregate nominal amount of not exceeding 20% of the nominal amount of the issued share capital of the Company as at the date of EGM. The Issue Mandate is proposed to the Shareholders prior to the Company's next annual general meeting, and therefore, under the GEM Listing Rules, the granting of Issue Mandate will be subject to the Independent Shareholders' approval by way of poll at the EGM.

As at the Latest Practicable Date, a total of 6,635,001,932 Shares were in issue. Subject to the passing of the proposed resolution for granting the Issue Mandate to the Directors and on the basis that no Shares will be issued or repurchased by the Company prior to the EGM, the Company will be allowed under the Issue Mandate to issue a maximum of 1,327,000,386 Shares.

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## LETTER FROM VINCO CAPITAL

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In accordance with Rule 17.42A(1) of the GEM Listing Rules, the proposed refreshment of the Existing General Mandate requires the approval of the Independent Shareholders at the EGM at which the controlling Shareholders and their associates or if there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates (to the extent they hold any Shares at the time of the EGM) are required to abstain from voting in favour of the relevant resolution to be proposed in respect of the proposed refreshment of the Existing General Mandate at the EGM. Since there are no controlling Shareholders as at the Latest Practicable Date, the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates will abstain from voting in favour of the relevant resolution relating to the refreshment of the Existing General Mandate. 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 such resolutions. As at the Latest Practicable Date, Mr. Xiang Xin and Mr. Wong Chak Keung and their associates who in aggregate have control or are entitled to control 1,650,914,973 Shares and 14,120,000 Shares respectively (representing approximately 24.88% and 0.21% respectively of the issued share capital of the Company) are required to abstain from voting in favour thereon. As at the Latest Practicable Date, no other Directors are interested in any Shares.

The Independent Board Committee, comprising Mr. Zhang Zhan Liang, Ms. Lu Yuhe and Mr. Kwok Chi Hung, all being independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the proposed refreshment of the Existing General Mandate is in the interests of the Company and the Independent Shareholders as a whole.

### **BASIS OF OUR OPINION AND RECOMMENDATION**

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

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.

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## LETTER FROM VINCO CAPITAL

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We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the proposed refreshment of the Existing General Mandate, as referred to in Rule 17.92 of the GEM Listing Rules (including the notes thereto) in forming our opinion and recommendation.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the proposed refreshment of the Existing General Mandate and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the proposed refreshment of the Existing General Mandate, we have considered the principal factors and reasons set out below:

#### **Background of and reasons for the proposed refreshment of the Existing General Mandate**

##### *Background*

At the annual general meeting of the Company held on 14 June 2010, the Shareholders approved, among other things, an ordinary resolution to grant to the Directors the Existing General Mandate to allot and issue up to 168,747,900 Shares which has not been utilized up to the Latest Practicable Date.

On 28 April 2010, the Company proposed to raise approximately HK\$135 million before expense by way of the rights issue of 3,374,958,000 rights shares at a subscription price of HK\$0.04 per rights share. In the completion date of the rights issue exercise, the total amount of issued shares was increased to 4,218,697,500 shares. Dealings in the rights shares on the Stock Exchange were commenced from 12 July 2010.

On 9 July 2010, the Company announced it has received the conversion notices from the holders of the convertible bonds on 7 July 2010 to exercise the conversion rights attached to the convertible bonds for the principal amount of HK\$89,403,264 in aggregate. 2,416,304,432 conversion shares at the adjusted price of HK\$0.037 per conversion share were allotted and issued on 9 July 2010. After the conversion of convertible bonds, the total amount of issued shares up to the Latest Practicable Date is 6,635,001,932 shares.

In order to provide flexible means for the Company to raise funds for its future business development and/or through the issue of new Shares, the Board proposes to grant the Issue Mandate for the Directors to allot, issue and otherwise deal with new Shares with an aggregate nominal amount of not exceeding 20% of the nominal amount of the issued share capital of the Company as at the date of EGM. The Issue Mandate is proposed to the Shareholders prior to the Company's next annual general meeting, and therefore, under the GEM Listing Rules, the Issue Mandate will be subject to the Independent Shareholders' approval by way of poll at the EGM.



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## LETTER FROM VINCO CAPITAL

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As at the Latest Practicable Date, a total of 6,635,001,932 Shares were in issue. Subject to the passing of the proposed resolution for granting the Issue Mandate to the Directors and on the basis that no Shares will be issued or repurchased by the Company prior to the EGM, the Company will be allowed under the Issue Mandate to issue a maximum of 1,327,000,386 Shares, which have an aggregate nominal amount equals to 20% of the nominal amount of the issued share capital.

### *Reasons for the proposed refreshment of the Existing General Mandate*

As advised by the Directors, the Directors consider that the number of issued shares has been increased from 843,739,500 Shares to 6,635,001,932 Shares after the completion of rights issue announced on 28 April 2010 and exercising of convertible rights by convertible bonds holders announced on 9 July 2010. Therefore, the aggregate nominal amount of 168,747,900 Shares that the Existing Mandate granted to the Directors only has an aggregate nominal amount that approximately equals to 2.54% of the nominal amount of the issued share capital of the Company as at the Latest Practicable Date. The Directors consider that (i) it is necessary to adjust the Existing General Mandate to reflect the actual amount of Shares to be allotted and repurchased; (ii) the proposed refreshment of the Existing General Mandate will enable the Group to conduct fund raising activities as and when opportunities arise; and (iii) granting of specific mandate is subject to the approval of the Independent Shareholders which may cause undue delay if the Group wishes to carry out timely acquisitions. If the Existing General Mandate is refreshed, the Group will be in a better bargaining position in the negotiation of potential investments or acquisitions, the Board thus proposes to pass an ordinary resolution at the EGM to approve the proposed refreshment of the Existing General Mandate in accordance with Rule 17.42A of the GEM Listing Rules so as to allow the Directors to issue new Shares not exceeding 20% of the nominal amount of the issued share capital of the Company at the EGM to reflect the amount of Shares to be allotted, repurchased and issued following the completion of rights issue and conversion of convertible bonds.

### *Cash position of the Group*

As stated in the unaudited interim report 2010 of the Company, the Group recorded cash and bank balances of approximately HK\$475,902,000 (including balance of HK\$338,410,000 in respect of wholly or partially unsuccessful applications for excess rights shares subsequently refunded to the qualifying shareholders) as at 30 June 2010.

In order to provide flexible means for the Company to raise funds for its future business development and/or through the issue of new Shares, the Board proposes to grant the Issue Mandate for the Directors to allot, issue and otherwise deal with new Shares with an aggregate nominal amount of not exceeding 20% of the nominal amount of the issued share capital of the Company at the EGM. In the event that the Company identifies a suitable investment opportunity but does not have sufficient financial resources on hand, or is unable to obtain loan financing on acceptable terms, or cannot find other alternatives to finance the acquisition of such investment opportunity in a timely manner, the Company may lose its opportunities in an otherwise favourable investment and a favorable opportunity to expand its business portfolio. In view of the above, we consider that it is reasonable for the Directors to propose the refreshment of the Existing General Mandate at the EGM in order to provide the Company with necessary financing flexibility to raise additional funds through the issue of new Shares for its future business development as and when an opportunity arises. The Company has not identified any investment targets and does not have any concrete plan in relation to the utilization of the Issue Mandate at present.

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## LETTER FROM VINCO CAPITAL

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### *Financing flexibility*

After the completion of rights issue announced on 28 April 2010 and exercising of convertible rights by convertible bonds holders announced on 9 July 2010, the number of issued shares has been increased from 843,739,500 Shares to 6,635,001,932 Shares. The Issue Mandate will grant the right to the Directors to allot and issue up to 1,327,000,386 Shares, which have an aggregate nominal amount that equals to 20% of the nominal amount of the issued share capital of the Company. The Directors believe that the proposed refreshment of the Existing General Mandate will provide the Company with additional flexibility in deciding the alternatives in funding for any investment opportunities that may arise in the future and for the purpose of additional funding requirements of the Group. The Directors advised that they have considered the possibility of seeking a specific mandate, however, there are no assurance that the granting of specific mandate would be sought in a timely manner. Based on the aforesaid, we are of the opinion that the proposed refreshment of the Existing General Mandate is in the interests of the Company and the Independent Shareholders as a whole.

### *Other financing alternatives*

As advised by the Directors, apart from equity financing, the Directors will also consider other financing methods such as bank financing and debt financing so as to meet its financing requirements arising from any future development of the Group, depending on the financial position, capital structure and cost of funding of the Group as well as the prevailing market condition. Bank financing and debt financing will usually incur interest burden on the Group and may be subject to, including but not limited to, lengthy due diligence and negotiations with the banks. With respect to the other forms of pro rata equity financing method such as rights issue and open offer, the Directors consider that such pro rata equity financing would incur substantial costs in form of placing commission or underwriting commission. Although both rights issue and open offer may allow the Shareholders to maintain their respective pro-rata shareholdings in the Company, such fund raising alternatives would be relatively time consuming as compared to the equity financing through issue of new Shares under the general mandate and there would be no certainty that the Company would be able to procure favourable terms in such commercial underwriting. Accordingly, the Directors consider that the proposed refreshment of the Existing General Mandate may provide an alternative to fund any possible business development or investment opportunities of the Group. Further, the Directors confirmed that they would exercise due and careful consideration when choosing the financing method available to the Group and would adopt the method which serves the best interest of the Group. In light of the above, we consider the refreshment of the Existing General Mandate provides the Company an additional financing alternative for the Company to raise further capital for its business development if and when an opportunity arises and it is reasonable for the Company to maintain its flexibility in deciding the best financing alternative for its future investments and/or business development. Accordingly, we thus concur with the Directors' view that the proposed refreshment of the Existing General Mandate is in the interest of the Company and the Independent Shareholders as a whole.

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## LETTER FROM VINCO CAPITAL

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### Fund raising activities in the past twelve months

The table set out below summarises the information relating to the Company's fund raising activities and cash inflow from financing activities in the past twelve months immediately prior to the Latest Practicable Date:

Date of announcement	Transaction	Net proceeds raised ( <i>approximately</i> )	Intended use of proceeds	Actual use of proceeds
28 April 2010	Rights issue on the basis of 4 rights shares for every share held on the record date. 3,374,958,000 rights shares were issued at subscription price of HK\$0.04 per rights share	HK\$132 million	Approximately HK\$100 million for the development of the Group's energy management contract business and approximately HK\$32 million as general working capital of the Group	HK\$22 million had been used for general working capital and the remaining HK\$110 million will be used as intended

Save as disclosed above, the Directors confirmed that the Company has not conducted any other fund raising activities during the 12 months immediately prior to the Latest Practicable Date. As advised by the Directors, we noted that the net proceeds of approximately HK\$132 million from the rights issue announced on 28 April 2010 has been raised and is intended to be utilized for the development of the Group's energy management contract business and general working capital. As such, we are of the view that the actual use of proceeds was in line with the intended use of proceeds as stated in their respectively announcements of the abovementioned fund raising activities.

### Potential dilution to shareholding of the Independent Shareholders

Set out below is a table illustrating the shareholdings of the Company as at the Latest Practicable Date; and, for illustrative purpose, assuming no further Shares will be issued or repurchased by the Company after the Latest Practicable Date and up to the date of the EGM, the potential dilution effect on the shareholdings of the Shareholders prior to full subscription of the new Shares:

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## LETTER FROM VINCO CAPITAL

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	<b>As at the Latest Practicable Date</b>		<b>Upon full utilization of the Issue Mandate</b>	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Morgan Strategic Limited	1,236,032,432	18.63	1,236,032,432	15.52
Honour Sky International Limited ( <i>Note 1</i> )	1,650,914,973	24.88	1,650,914,973	20.74
Wong Chak Keung ( <i>Note 2</i> )	14,120,000	0.21	14,120,000	0.18
Other holders of the convertible bond	318,837,027	4.81	318,837,027	4.00
Public Shareholders	3,415,097,500	51.47	3,415,097,500	42.89
Shares issued under the Issue Mandate	<u>–</u>	<u>–</u>	<u>1,327,000,386</u>	<u>16.67</u>
 Total	 <u>6,635,001,932</u>	 <u>100.00</u>	 <u>7,962,002,318</u>	 <u>100.0</u>

*Note:*

1. Honour Sky International Limited, a company incorporated in the British Virgin Islands with limited liability and Mr. Xiang Xin, the executive Director of the Company, 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.
2. Mr. Wong Chak Keung is an executive director of the Company.

The above figures were calculated on the assumption that (i) the proposed refreshment of the Existing General Mandate is approved by the Independent Shareholders at the EGM; (ii) no further Shares will be issued or repurchased by the Company after the Latest Practicable Date and up to the date of the EGM; and (iii) upon full utilization of the Issue Mandate, 1,327,000,386 new Shares will be issued, representing 20% of the nominal amount of the issued share capital of the Company as at the Latest Practicable Date, and approximately 16.67% of the nominal amount of the issued share capital of the Company as enlarged by the Shares issued under the proposed refreshment of the Existing General Mandate and prior to exercise of the subscription rights attached to the outstanding share options and convertible bonds.

The aggregate shareholding of the other public Shareholders will decrease from approximately 51.47% to approximately 42.89% upon full utilization of the Issue Mandate. Taking into account that (i) the proposed refreshment of the Existing General Mandate will provide an alternative to increase the amount of capital; (ii) the proposed refreshment of the Existing General Mandate will provide more financing alternatives to the Group for potential investment and/or business development when such opportunities arise; and (iii) the fact that the shareholding of all the Shareholders will be diluted proportionally according to their respective shareholdings upon any utilization of the Issue Mandate, we consider such potential maximum dilution to shareholdings of the Independent Shareholders to be justifiable.

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## LETTER FROM VINCO CAPITAL

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### CONCLUSION

Having taken into consideration of the above principal factors and reasons, including:

- a) the refreshment of the Existing General Mandate is necessary so as to reflect the change in the amounts of Shares under the Existing General Mandate following the completion of rights issue and conversion of convertible bonds;
- b) the refreshment of the Existing General Mandate provides more options of financing to the Group for further development of its business as well as potential investment and/or acquisitions when such opportunities arise; and
- c) the fact that the shareholding of all the Shareholders will be diluted proportionally to their respective shareholdings upon any utilization of the Issue Mandate;

we are of the view that the proposed refreshment of the Existing General Mandate is fair and reasonable, so far as the Independent Shareholders are concerned and that the proposed refreshment of the Existing General Mandate is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the proposed refreshment of the Existing General Mandate.

Yours faithfully,  
For and on behalf of  
**Grand Vinco Capital Limited**  
**Alister Chung**  
*Managing Director*

**NEW SHARE OPTION SCHEME**

The following is a summary of the principal terms of the New Scheme, conditionally adopted by resolution of the Shareholders on 1 November 2010. The terms of the New Scheme are in compliance with the provisions of Chapter 23 of the GEM Listing Rules.

**DEFINITIONS:**

“Adoption Date”	the date on which the New Scheme becomes unconditional upon fulfilment of the condition set out in paragraph (v) below;
“Date of Grant”	in respect of any particular Option, the business day on which the Board resolves to make an Offer to a Participant;
“Grantee”	any Participant who accepts an Offer in accordance with the terms of the New Scheme, or (where the context so permits) any person who is entitled to any such Option in consequence of the death of the original Grantee or the legal personal representative of such person;
“Offer”	the offer of the grant of an Option made in accordance with the terms of the New Scheme;
“Option”	an option to subscribe for Shares pursuant to the New Scheme;
“Option Period”	the period to be notified by the Board to each Grantee and in any event the period shall not be more than ten (10) years from the Date of Grant during which an Option can be exercised;
“Participant”	directors (including executive directors, non-executive directors and independent non-executive directors) and full time employees of the Group and any advisers, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the development and growth of the Group;

“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option in accordance with the terms of the New Scheme; and
“Vest” or “Vesting”	in relation to an Option, means an Option becoming exercisable.

**(a) Purpose of the New Scheme**

The purpose of the New Scheme is to reward Participants who have contributed to the Group and to provide incentives to Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

**(b) Who may join and basis of eligibility**

The Board may, at its discretion and on such terms as it may think fit, grant any Participant an Option as it may determine in accordance with the terms of the New Scheme.

The basis of eligibility of any Participant to the grant of any Option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his/her/its contribution or potential contribution to the development and growth of the Group.

**(c) Duration and Administration**

The New Scheme will be valid and effective for a period of ten (10) years commencing on the Adoption Date, after which period no further Options will be offered or granted. The New Scheme shall be subject to the administration of the Board whose decision (save as otherwise provided herein) shall be final and binding on all parties. The Board shall, subject to the rules of the New Scheme and the GEM Listing Rules, have the right and at its discretion and based on such factors as it shall consider relevant to:

- (i) interpret and construe the provisions of the New Scheme and Options made under it;
- (ii) determine the eligibility of persons who will be granted Options under the New Scheme;
- (iii) determine the date of the grant of Option;
- (iv) determine the number of Shares to be subject to the Option;
- (v) determine the terms and conditions of the Option including:
  - (a) the Subscription Price (if relevant);

- (b) the minimum period, if any, for which the Option must be held before it Vests;
  - (c) performance targets and other criteria, if any, to be satisfied before the Option can Vest;
  - (d) the amount, if any, payable on application or acceptance of the Option and the period within which payments or calls must or may be made or loans for such purposes must be repaid;
  - (e) the period, if any, during which Shares allotted and issued or transferred upon Vesting of the Option shall be subject to restrictions on dealings, and the terms of such restrictions;
  - (f) the notification period, if any, to be given to the Company of any intended sale of Shares allotted and issued or transferred upon Vesting of the Option; and
  - (g) Option Period (if relevant).
- (vi) approve the form of Option agreements;
  - (vii) prescribe, amend and rescind rules and regulations relating to the New Scheme;
  - (viii) subject to the other provisions of the New Scheme, make appropriate and equitable adjustments to the terms and conditions of any Option agreement, including extending the Option Period provided that it shall not be greater than the period (if any) prescribed by the GEM Listing Rules from time to time (which is, at the Adoption Date, not more than 10 years from the Date of Grant and waiving or amending (in whole or in part) any conditions to which Options are subject; and
  - (ix) make such other decisions or determinations as it shall deem appropriate in the administration of the New Scheme.
- (d) Options to be offered within 10 Years**

The Board will be entitled at the times within ten (10) years after the Adoption Date and subject to such conditions as the Board may think fit make an Offer to any Participant as the Board may in its absolute discretion select.



**(e) Terms and Conditions**

The Board may grant Options on such terms and subject to such conditions as it thinks fit. The Board may, in its absolute discretion, determine that Options will be subject to performance targets that must be achieved before Vesting.

**(f) Acceptance and exercise of an option**

An offer of an Option must be accepted within twenty-eight (28) days from the Date of Grant. A consideration of HK\$1 is payable on acceptance of the offer of grant of an Option. Any Offer may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof. To the extent that the Offer is not accepted within the prescribed time period, it will be deemed to have been irrevocably declined.

An Option may be exercised in the manner set out in the offer of grant of such Option and in accordance with the terms of the New Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date of grant of the Option and shall end in any event not later than 10 years from the date of grant of the Option subject to the provisions for early termination thereof. No minimum period for which the Option has to be held before it can be exercised is specified in the New Scheme, however, the offer of grant of an option may set out the minimum period for which the Option has to be held before it can be exercised which may be determined by the Directors at their discretion.

**(g) Restriction on the time of the offer for the grant of Options**

No offer for grant of Options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements under the GEM Listing Rules. In particular, during the period of one month immediately preceding the earlier of (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the Company's results of any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and (ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the announcement of the results, no Option shall be granted.

The Directors may not grant any Option to a Participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the code of corporate governance practice incorporating the code provisions of Appendix 15 of the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

**(h) Offers made to Directors, chief executive, and substantial shareholders and their respective Associates**

Insofar as the GEM Listing Rules require and subject to the terms of the New Scheme, where any Offer proposed to be made to a Director or a chief executive or a substantial shareholder of the Company or any of his, her or its associates (as defined by the GEM Listing Rules), it must be approved by the independent non-executive Directors (excluding an independent non-executive Director who is the proposed Grantee of Options in question).

**(i) Subscription Price for Options**

The Subscription Price payable on the exercise of an Option shall be a price determined by the Board at its absolute discretion and notified to a Participant and shall be no less than the greatest of:

- (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the Date of Grant, which must be a business day;
- (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five (5) business days immediately preceding the Date of Grant; or
- (iii) the nominal value of the Shares.

**(j) Transfer**

An Option shall be personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way dispose of, sell, transfer, charge, mortgage, encumber or create any interest in favor of any other party over or in relation to any Option, unless under the circumstances permitted by the New Scheme.

**(k) Vesting of Options**

The Board will determine the minimum period (if any) for which an Option must be held before it Vests and any other conditions in relation to dealing with Shares on Vesting. In particular:

- (i) in the event of the Grantee ceasing to be a Participant by reason of his/her death before exercising his/her Option in full and none of the events which would be a ground for termination of his/her employment as specified in paragraph (m)(v) having arisen, his/her legal personal representative(s) may exercise the Option up to the Grantee's entitlement as at the date of death (to the extent not already exercised) in whole or in part within the period of 12 months following his/her death;
- (ii) in the event of a Grantee who is an employee or a Director of the Company or another member of the Group ceasing to be a Participant for any reason other than his/her death or the termination of his/her employment or directorship on one or more of the grounds specified in paragraph (m)(v), the Grantee may, within a period of three (3) month (or such longer period as the Board may determine) from the date of cessation (which date shall be the last actual working date with the Company or any member of the Group whether salary is paid in lieu of notice or not), exercise his or her Option, up to his or her entitlement at such date of cessation in whole or in part (to the extent it has become exercisable and not already exercised);
- (iii) in the event of a Grantee who is not an employee or a director of the Company or another member of the Group ceasing to be a Participant (which shall be as and when determined by the Board by resolution) for any reason other than his/her death the Board may by written notice to such Grantee within one month from (and including) the date of such cessation determine the period within which the Option (or such remaining part thereof) shall be exercisable following the date of such cessation and if the Board does not serve such a written notice within that one month period, the Option shall remain exercisable at any time during the original Option Period;
- (iv) in the event of the Grantee ceasing to be a Participant by reason of the termination of his/her employment or directorship on one or more of the grounds specified in paragraph (m)(v), his/her Option shall lapse automatically (to the extent not already exercised) and shall not be exercisable on or after the date of termination of his/her employment and to the extent the Grantee has exercised the Option in whole or in part pursuant to the New Scheme, but Shares have not been allotted to him/her, the Grantee shall be deemed not to have so exercised such Option and the Company shall return to the Grantee the amount of the Subscription Price for the Shares received by the Company in respect of the purported exercise of such Option;

- (v) if a general offer by way of takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph (k)(vi) below) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the Company shall forthwith give notice thereof to the Grantee and the Grantee (or, where appropriate, his or her personal representatives) shall be entitled to exercise the Option in full (to the extent not already exercised) or to the extent as notified by the Company at any time within such period as shall be notified by the Company;
- (vi) if a general offer by way of scheme of arrangement is made to all the holders of Shares and has been approved by the requisite majority at the requisite meetings, the Company shall forthwith give notice thereof to the Grantee and the Grantee (or his or her personal representatives) may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option to its full extent or to the extent specified in such notice;
- (vii) in the event a notice is given by the Company to the Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee (or his or her personal representatives) may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option to its full extent or to the extent specified in such notice, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the Grantee which falls to be issued; and
- (viii) other than a scheme of arrangement contemplated in paragraph (k)(vi) above, in the event of a compromise or arrangement between the Company and its members or creditors being proposed in connection with the scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such compromise or arrangement, and the Grantee (or his or her personal representatives) may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option either to its full extent or to the extent specified in such notice, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the Grantee which falls to be issued on exercise of such Option.

**(l) Consequences of Vesting***(i) Options*

On Vesting, an Option becomes exercisable to the extent that it Vests. An Option shall be exercised in whole or in part by the Grantee to the extent it has Vested, by giving notice in writing to the Company in a prescribed form. Any partial exercise of an Option shall be in respect of such number of Shares as from time to time constitutes a board lot for the purposes of trading Shares on the Stock Exchange or an integral multiple thereof.

*(ii) Allotment and Issue of Shares*

Within twenty-eight (28) days after receipt of the notice and, where appropriate, other necessary documentations, and subject to the accompanying remittance having been honored in full, the Company shall allot and issue the relevant Shares to the Grantee credited as fully paid and shall instruct the Share Registrar to issue to the Grantee a share certificate in respect of the Shares so allotted and issued.

*(iii) Rights*

A Grantee shall not be entitled to vote, to receive dividends or to have any other rights, including those arising on the liquidation of the Company.

*(iv) Ranking of Shares*

The Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the Memorandum and the Articles of Associate of the Company for the time being in force and will rank *pari passu* in all respects with the existing fully paid Shares in issue as from the date when the name of Grantee is registered on the register of members of the Company.

**(m) Lapse of Options**

An Option shall lapse automatically (to the extent not already Vested or in the case of an Option, to the extent not already exercised) on the earliest of:

- (i) in the case of an Option and subject to the terms of the New Scheme, the expiry of the Option Period;
- (ii) the expiry of the periods referred to in paragraph (k);

- (iii) the expiry of the period referred to in paragraph (k)(v) provided that if any court of competent jurisdiction makes an order the effect of which is to prevent the offeror from acquiring the remaining Shares in the Offer, the relevant period within which Options may be exercised, shall not begin to run until the discharge of the order in question or unless the Offer lapses or is withdrawn before that date;
- (iv) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (k)(vi);
- (v) where the Grantee is an employee or Director, the date on which the Grantee ceases to be a Participant by reason of the termination of his or her employment or directorship on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect being able to pay debts or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or any ground on which an employer would be entitled to terminate his or her employment summarily;
- (vi) the date of the commencement of the winding-up of the Company;
- (vii) the date on which the Grantee commits a breach of paragraph (j); and
- (viii) subject to paragraph (k)(ii) the date the Grantee ceases to be a Participant for any other reason.

**(n) Cancellation of Options**

Any Options granted but not exercised may be cancelled if the Grantee so agrees with or without new Options being granted to the Grantee provided that any new Options granted shall fall within the limits prescribed by the terms of the New Scheme (excluding the cancelled Options), and are otherwise granted in accordance with the terms of the New Scheme.

**(o) Maximum Number of Shares Available for Subscription**

- (i) *Overriding Limited (the "Overriding Limit")*

Subject to the GEM Listing Rules, the overall limit on the number of Shares subject to Options from time to time under the New Scheme and any other schemes must not, in aggregate, exceed 30% of the Shares in issue from time to time. No Options may be granted under the New Scheme or any other schemes if this will result in this overriding limit being exceeded.

(ii) *Scheme Mandate Limit (the “Scheme Mandate Limit”)*

Subject to the Overriding Limit and to paragraphs (o)(iii) and (o)(iv) below, the total number of Shares available for issue under the Options which may be granted under the New Scheme and any other schemes of the Company must not, in aggregate, exceed 10% of the Shares in issue as at the date of EGM approving the New Scheme. Options lapsed in accordance with the terms of the New Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

(iii) *Refreshing of the Scheme Mandate Limit*

Subject to the Overriding Limit and to paragraph (o)(iv), the Company may refresh the Scheme Mandate Limit at any time subject to approval by the shareholders of the Company. However, the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of the aforesaid Shareholders’ approval (the “Refreshed Limit”) or such other limits imposed by the Stock Exchange. Options previously granted or to be granted under the New Scheme and any other schemes of the Company (including those outstanding, cancelled, exercised or lapsed in accordance with such schemes) will not be counted for the purpose of calculating the Refreshed Limit.

(iv) *Grant of Options Limit*

Subject to the Overriding Limit, the Company may also seek separate approval by the shareholders of the Company for granting Options beyond the Scheme Mandate Limit provided that the Options in excess of the Scheme Mandate Limit are granted only to Participants specifically identified by the Company before such approval is sought.

(v) *Limit for each Participant*

The total number of Shares issued and to be issued upon exercise of Options granted and to be granted to each Grantee (including exercised and outstanding Options) in any twelve (12)-month period shall not exceed 1% of the Shares in issue for the time being (the “Individual Limit”). Any further grant of Options in excess of the Individual Limit must be subject to approval by the shareholders of the Company with such Participant and his, her or its associates abstaining from voting. The number and terms (including the Subscription Price (if relevant)) of the Options to be granted to such Participant must be fixed before the date of the relevant shareholders’ meeting.

(vi) Subject to (i) above and without prejudice to (iii) above, the Company may issue a circular to the Shareholders and seek separate Shareholders’ approval in general meeting to grant Options beyond the Scheme Mandate Limit or, if applicable, the limit referred to in paragraphs (o)(v) above and (p) below to Participants specifically identified by the Company before such approval is sought.

**(p) Grant to substantial Shareholders and independent non-executive Director**

Where any Offer proposed to be made to a substantial Shareholder or an independent non-executive Director or any of his, her or its associates would result in the total number of Shares issued and to be issued upon exercise of all Options already granted and to be granted to such person in the twelve (12) month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue at the date of such grant; and
- (ii) having an aggregate value, based on the closing price of the Shares at the Date of Grant, in excess of HK\$5 million,

then such further Offer and any acceptance thereof must be subject to approval of the Shareholders. The Company must send a circular to the Shareholders. All connected persons of the Company must abstain from voting in favour at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided his/her/its intention to do so has been stated in the circular.

**(q) Adjustment to the Subscription Price for Options**

- (i) In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, whether by way of capitalisation issue, rights issue, sub-division or consolidation of Shares or reduction of capital of the Company or otherwise howsoever, other than an issue of Shares as consideration in a transaction to which the Company is a party, such corresponding alterations (if any) shall be made to:
  - (a) the number or nominal amount of Shares to which the New Scheme or any Option relates; and/or
  - (b) the Subscription Price of the Option; and/or
  - (c) the method of exercise of the Option; and/or
  - (d) the number of Shares comprised in an Option or which remains comprised in an Option;

or any combination thereof as the Company's independent financial adviser or the Auditors shall certify in writing to the Board to be in their opinion to be fair and reasonable, provided that no such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value or which would change the proportion of the equity share capital for which any Grantee is entitled on Vesting of his Options and/or to subscribe pursuant to the Options held by him or her before such alteration.



- (ii) In respect of any such alterations, other than any made under a capitalisation issue, the Company's independent financial adviser or the auditors shall also confirm to the Board in writing that such alterations satisfy the requirements of Rule 23.03(13) of the GEM Listing Rules and the note thereto.
- (iii) The capacity of the Company's independent financial adviser or the Auditors in this paragraph (q) is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the Grantees.

**(r) Interpretation and Administration**

The New Scheme shall be subject to the interpretation and administration of the Board (including the independent non-executive directors) whose decision (save as otherwise provided herein) shall be final and binding on all parties. The Board shall have the right, among other matters, to (i) interpret and construe the provisions of the New Scheme; (ii) determine the persons who will be offered Options under the New Scheme, and the number of Shares and the subscription price, in relation to such Options, in accordance with the provisions of the New Scheme; (iii) subject to the relevant provisions of the New Scheme, make such appropriate and equitable adjustments to the terms of Options granted under this Scheme as it may deem necessary; and (iv) make such other decisions or determinations as it shall deem appropriate for the administration of the New Scheme.

**(s) Alteration of the New Scheme**

The New Scheme may subject to the GEM Listing Rules be altered in any respect by resolution of the Board except that those specific provisions of the New Scheme which relate to the matters set out in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of Participants and changes to the authority of the Board in relation to any alteration of the terms of the New Scheme shall not be made, in either case, without the prior approval of shareholders of the Company and provided further that any alteration to the terms and conditions of the New Scheme which are of a material nature or any change to the terms of Options granted must be approved by the shareholders of the Company at a general meeting, except where such alterations take effect automatically under the existing terms of the New Scheme. The New Scheme so altered must comply with Chapter 23 of the GEM Listing Rules, the supplemental guidance issued on 5 September 2005 by the Stock Exchange entitled "Supplemental Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rule 23.03(13) and the note immediately after the Rule" and any future guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

**(t) Termination**

The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the New Scheme and in such event no further Options will be offered or granted and all offers of options then outstanding and not accepted shall ipso facto lapse but in all other respects the provisions of the New Scheme shall remain in full force and effect. Options which are granted during the life of the New Scheme and remain unexpired immediately prior to the termination of the operation of the New Scheme shall remain valid in accordance with their terms of issue after the termination of the New Scheme.

**(u) Present Status of the New Scheme**

As at the date of this circular, no Option has been granted or agreed to be granted pursuant to the New Scheme.

**(v) Condition**

The New Scheme is conditional upon (a) Shareholders' approval at the EGM; and (b) the Listing Committee granting approval of the listing of and permission to deal in any Shares which may be issued and allotted pursuant to the exercise of options in accordance with the terms and conditions of the New Scheme.

**(w) Compliance with the GEM Listing Rules**

The New Scheme shall comply with the GEM Listing Rules as amended from time to time. In the event that there are differences between the terms of the New Scheme and the GEM Listing Rules, the GEM Listing Rules shall prevail.

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## NOTICE OF THE EGM

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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)

#### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of China Trends Holdings Limited (the “**Company**”) will be held at 25/F, No. 9 Des Voeux Road West, Sheung Wan, Hong Kong on Monday, 1 November 2010 at 11:00 a.m. to consider and, if thought fit, pass with or without amendments the following resolutions:

#### ORDINARY RESOLUTIONS

1. “**THAT**, to the extent not already exercised, the mandate to issue and allot shares of the Company given to the directors of the Company (the “**Directors**”) as resolution number 4 at the annual general meeting of the Company held on 14 June 2009 be and is hereby revoked and replaced by the mandate **THAT**:
  - (a) subject to paragraph (c) of this resolution, and pursuant to the Rules (the “**GEM Listing Rules**”) Governing the Listing of Securities on Growth Enterprise Market (“**GEM**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and otherwise deal with additional shares in the capital of the Company (“**Shares**”) and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
  - (b) the approval in paragraph (a) of this resolution shall be in addition to any other authorization given to the Directors and shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
  - (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined) or; (ii) any issue of shares upon exercise of rights of subscription or conversion attaching to any warrants of the Company or any securities which are convertible into Shares

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of the Company; or (iii) the grant of any options under the share option scheme (the “Share Option Scheme”) adopted by the Company or the exercise of any of the subscription rights attaching to any options that have been or may be granted under the Share Option Scheme; or (iv) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of any dividend on Shares in accordance with the articles of association of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution and the said approval shall be limited accordingly; and

(d) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held; or
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of Shares or an offer or issue of warrants or options or similar instruments to subscribe for Shares in the capital of the Company open for a period fixed by the Directors to shareholders of the Company whose names appear on the Company’s register of members on a fixed record date in proportion to their holdings of Shares in the Company (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognized regulatory body or any stock exchange in, or in any territory outside Hong Kong or the expense or delay that may be incurred in the determination of any such restrictions or obligations).”

2. “**THAT** conditional upon the passing of ordinary resolution no. 1 hereinabove, the general mandate given to the directors of the Company pursuant to such resolution shall be extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted in ordinary resolution no. 5 at the annual general meeting of the Company held on 14 June 2010 (the “Repurchase Mandate”) provided that such amount shall not exceed 10 per cent of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the Repurchase Mandate.”

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3. **“THAT**

- (a) subject to and conditional upon the Listing Committee of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting the listing of and permission to deal in the shares to be issued pursuant to the exercise of any options granted under the share option scheme of the Company (the “New Scheme”), a copy of which marked “A” is produced to the meeting and for the purposes of identification signed by the Chairman thereof, the New Scheme be and is hereby approved and adopted and the directors of the Company be and is hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the New Scheme including but without limitation:
- (i) to administer the New Scheme under which options will be granted to participants eligible under the New Scheme to subscribe for shares of the Company;
  - (ii) to modify and/or amend the New Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the New Scheme relating to modification and/or amendment;
  - (iii) to issue and allot from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the New Scheme provided always that the total number of shares subject to the New Scheme, when aggregated with any shares subject to any other share option schemes, shall not exceed 10% of the relevant class of the issued share capital of the Company as at the date of passing this resolution, but the Company may seek approval of its shareholders in general meeting for refreshing the 10% limit under the New Scheme and the maximum number of shares which may be issued upon exercise of all outstanding options granted under the New Scheme and any other share option schemes of the Company in issue shall not exceed 30% of the relevant class of the issued share capital of the Company from time to time;
  - (iv) to make applications at the appropriate time or times to the Stock Exchange and any other stock exchanges upon which the issued shares of the Company may then be listed, for listing of and permission to deal in any shares which may hereafter from time to time be issued and allotted pursuant to the exercise of the options under the New Scheme; and
  - (v) to consent, if it so deems fit and expedient, to such conditions, modifications and/ or variations as may be required or imposed by the relevant authorities in relation to the New Scheme.”

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4. “**THAT** conditional on the passing of ordinary resolution no. 3. hereinabove, the share option scheme adopted by the Company on 16 July 2002 be and is hereby terminated with immediate effect provided that options which have been granted and remain outstanding shall continue to be exercisable in accordance with their terms of issue and the provisions of Chapter 23 of the GEM Listing Rules.”

### SPECIAL RESOLUTION

5. (A) “**THAT** the articles of association (“Articles”) of the Company be and are hereby amended in the following manner:

#### Article 2(1)

1. By inserting the following new definition of “associate” in Article 2(1):

““associate”                      the meaning attributed to it in the rules of the Designated Stock Exchange.”

2. By inserting the following new definition of “business day” in Article 2(1):

““business day”                      shall mean any day on which the Designated Stock Exchange is open for the business of dealing in securities. For the avoidance of doubt, where the Designated Stock Exchange is closed for the business of dealing in securities in Hong Kong on a business day for the reason of a number 8 or higher typhoon signal, black rainstorm warning or other similar event, such day shall for the purposes of these Articles be counted as a business day.”

3. By substituting the existing definition of “clearing house” in Article 2(1):

““clearing house”                      shall mean a recognized clearing house within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or a clearing house recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction.”

4. By inserting the following new definition of “Company Website” in Article 2(1):

““Company Website”                      shall mean the website of the Company, the address or domain name of which has been notified to Member.”

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5. By inserting the following new definition of “Corporate Communication” in Article 2(1):

““Corporate Communication” shall mean any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to: (a) the directors’ report, its annual accounts together with a copy of the auditor’s report, where applicable, its summary financial report; (b) the interim report and quarterly report (if any) and, where applicable, its summary interim report and quarterly report (if any); (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy form, within the meaning ascribed thereto under the listing rules of the stock exchange where the Company’s shares are listed.”

6. By inserting the following new definition of “electronic means” in Article 2(1):

““electronic means” include sending or otherwise making available to the intended recipients of the communication in electronic format.”

7. By inserting the following new definition of “Electronic Signature” in Article 2(1):

““Electronic Signature” shall mean an electronic symbol or process attached to or logically associated with an electronic communication and executed or adopted by a person with the intent to sign the electronic communication.”

8. By inserting the following new definition of “GEM Listing Rules” in Article 2(1):

““GEM Listing Rules” shall mean the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited as amended from time to time.”

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9. By substituting the existing definition of “Ordinary resolution” with the following new definition in Article 2(1):

““ordinary resolution” a resolution shall be an ordinary resolution when it has been passed by a simple majority of votes cast by such Members as, being entitled so to do, vote in person or, in the case of any Member being a corporation, by its duly authorised representative or, where proxies are allowed, by proxy at a general meeting held in accordance with Article 59.”

10. By substituting the existing definition of “Special Resolution” with the following new definition in Article 2(1):

““special resolution” a resolution shall be a special resolution when it has been passed by a majority of not less than three-fourths of votes cast by such Members as, being entitled so to do, vote in person or, in the case of such Members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which Notice has been duly given in accordance with Article 59;

a special resolution shall be effective for any purpose for which an ordinary resolution is expressed to be required under any provision of these Articles or the Statutes.”

### **Article 2(2)**

By inserting the following new Article 2(2)(i) in Article 2(2):

- “2. (2) (i) Section 8 of the Electronic Transactions Law (2003) of the Cayman Islands, as amended from time to time, shall not apply to these Articles to the extent it imposes obligations or requirements in addition to those set out in these Articles.”

### **Article 59(1)**

By deleting the existing Article 59(1) in its entirety and substituting the following new Article 59(1):

- “59. (1) An annual general meeting shall be called by Notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which the passing of



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a special resolution is to be considered shall be called by Notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings may be called by Notice of not less than fourteen (14) clear days and not less than ten (10) clear business days but if permitted by the rules of the Designated Stock Exchange, a general meeting may be called by shorter notice, subject to the Law, if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all the Members entitled to attend and vote thereat; and
- (b) in the case of any other general meeting, by a majority in number of the Members having the right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the issued shares giving that right.

### **Article 66**

By deleting the existing Article 66 in its entirety and substituting the following new Article 66(1) and inserting the following new Article 66(2) immediately after the new Article 66(1):

“66. (1) Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Articles, at any general meeting on a poll every Member present in person or by proxy or, in the case of a Member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A resolution put to the vote of a meeting shall be decided by way of a poll.”

“66. (2) Where the Company has knowledge that any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.”

### **Article 67**

By deleting the existing Article 67 in its entirety and substituting therefor the following words:

**“INTENTIONALLY LEFT BLANK”**

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### **Article 68**

By deleting the existing Article 68 in its entirety and substituting the following new Article 68:

“68. The result of the poll shall be deemed to be the resolution of the meeting. The Company shall only be required to disclose the voting figures on a poll if such disclosure is required by the rules of the Designated Stock Exchange.”

### **Article 69**

By deleting the existing Article 69 in its entirety and substituting therefor the following words:

**“INTENTIONALLY LEFT BLANK”**

### **Article 70**

By deleting the existing Article 70 in its entirety and substituting therefor the following words:

**“INTENTIONALLY LEFT BLANK”**

### **Article 73**

By deleting the words and punctuation “whether on a show of hands or on a poll,” in the second sentence so that Article 73 as amended will read:

“73. All questions submitted to a meeting shall be decided by a simple majority of votes except where a greater majority is required by these Articles or by the Law. In the case of an equality of votes, the chairman of such meeting shall be entitled to a second or casting vote in addition to any other vote he may have.”

### **Article 75(1)**

By deleting the words and punctuation “; whether on a show of hands or on a poll,” so that Article 75(1) as amended will read:

“75. (1) A Member who is a patient for any purpose relating to mental health or in respect of whom an order has been made by any court having jurisdiction for the protection or management of the affairs of persons incapable of managing their own affairs may vote by his receiver,

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committee, curator bonis or other person in the nature of a receiver, committee or curator bonis appointed by such court, and such receiver, committee, curator bonis or other person may vote on a poll by proxy, and may otherwise act and be treated as if he were the registered holder of such shares for the purposes of general meetings, provided that such evidence as the Board may require of the authority of the person claiming to vote shall have been deposited at the Office, head office or Registration Office, as appropriate, not less than forty-eight (48) hours before the time appointed for holding the meeting, or adjourned meeting or poll, as the case may be.”

### **Article 81**

By deleting the words “to demand or join in demanding a poll and” so that Article 81 as amended will read:

“81. Instruments of proxy shall be in any common form or in such other form as the Board may approve (provided that this shall not preclude the use of the two-way form) and the Board may, if it thinks fit, send out with the notice of any meeting forms of instrument of proxy for use at the meeting. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.”

### **Article 84(2)**

By deleting the words “including the right to vote individually on a show of hands” so that Article 84(2) as amended will read:

“84. (2) If a clearing house (or its nominee(s)), being a corporation, is a Member, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of Members provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this Article shall be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominee(s)).”

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### **Article 86(3)**

By deleting the existing Article 86(3) in its entirety and substituting therefor the following new Article 86(3):

“86. (3) The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.”

### **Article 86(5)**

By deleting the existing Article 86(5) in its entirety and substituting therefor the following new Article 86(5):

“86. (5) Subject to any provision to the contrary in these Articles the Members may, at any general meeting convened and held in accordance with these Articles, by ordinary resolution remove a Director at any time before the expiration of his period of office notwithstanding anything in these Articles or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement).”

### **Article 87(1)**

By deleting the existing Article 87(1) in its entirety and substituting therefor the following new Article 87(1):

“87. (1) Notwithstanding any other provisions in the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.”

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### Article 88

Be deleting the existing Article 88 in its entirety and substituting therefor the following new Article 88:

“88. No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his/her intention to propose such person for election and also a Notice signed by the person to be proposed of his/her willingness to be elected shall have been lodged at the head office or at the Registration Office provided that minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that the period for lodgment of such Notice(s) shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.”

### Article 103

By deleting the existing Article 103 in its entirety and substituting therefor a new Article 103 as follows:

“103. (1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associate(s) is materially interested, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum present at the meeting) but this prohibition shall not apply to any of the following matters namely:

- (i) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associate(s) or obligations incurred or undertaken by him or any of his associate(s) at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

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- (iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
  - (iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
  - (v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director and/or any of his associate(s) is/are not in aggregate beneficially interested in five (5) per cent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associate(s) is derived);  
or
  - (vi) any proposal or arrangement concerning the adoption, modification, or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates.
- (2) A company shall be deemed to be a company in which a Director and/or his associate(s) own(s) five (5) per cent. or more if and so long as (but only if and so long as) he and/or his associate(s), (either directly or indirectly) is/are the holder(s) of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his interest or that of any of his associate(s) is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee(s) and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director and/or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income

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thereof, and any shares comprised in an authorised unit trust scheme in which the Director and/or his associate(s) is/are interested only as a unit holder and any shares which carry no voting right at general meetings and very restrictive dividend and return of capital right.

- (3) Where a company in which a Director and/or his associate(s) hold(s) five (5) per cent. or more of its issued share capital is materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.
  
- (4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or his associate(s) or as to the entitlement of any Director (other than such chairman) to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not being counted in the quorum, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director and/or his associate(s) concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not be counted in the quorum and shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.”

### **Article 152**

Be deleting the existing Article 152 in its entirety and substituting therefor the following new Article 152:

- “152. A copy of the Directors’ report, accompanied by the statement of financial position and income statement, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure or the summary financial report, together with a copy of the Auditors’ report, shall be given to each person entitled thereto not less than twenty-one (21) clear days and not less than twenty (20) clear business days before the date of the general meeting and at the same time as the notice of the general meeting and laid before the Company at the annual general meeting held in accordance with Article 56.”

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### **Article 155**

By deleting the existing Article 155 in its entirety and substituting therefor the following new Article 155:

- “155. (1) At the annual general meeting or at a subsequent extraordinary general meeting in each year, the Members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Such auditor may be a Member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company.
- (2) The Members may, at any general meeting convened and held in accordance with these Articles, by special resolution remove the Auditor at any time before the expiration of his term of office and shall by ordinary resolution at that meeting appoint another Auditor in his stead for the remainder of his term.”

### **Article 158**

By deleting the existing Article 158 in its entirety and substituting therefor the following new Article 158:

- “158. If the office of auditor becomes vacant by the resignation or death of the Auditor, or by his becoming incapable of acting by reason of illness or other disability at a time when his services are required, the Directors shall fill the vacancy and fix the remuneration of the Auditor so appointed.”

### **Article 161**

By deleting the existing Article 161 in its entirety and substituting the following new Article 161:

- “161. Any Notice or documents (including any “Corporate Communication” within the meaning ascribed thereto under the GEM Listing Rules), whether or not, to be given or issued under these Memorandum and Articles from the Company to a Member shall be in writing and may be served or delivered by the Company on or to any Member either personally or by sending it through the post in a prepaid letter addressed to such Member as his registered address as appearing in the register or, to the extent permitted by the GEM Listing Rules and all applicable laws and regulations, by electronic means by transmitting it to any electronic number or address or website supplied by the Member to the Company for the giving of notice to him or which the person transmitting the notice reasonably and bona fide believes at the relevant time will result in the notice being duly received by the Member or by publishing the same as



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a paid advertisement in appointed newspapers (as defined in the Law) or in newspapers published daily and circulating generally in the territory of and in accordance with the requirements of the Designated Stock Exchange or, to the extent permitted by the applicable laws, by placing it on the Company Website or the website of the Designated Stock Exchange provided that the Company has obtained either (a) the Member's prior express positive confirmation in writing or (b) the Member's deemed consent, in the manner specified in the GEM Listing Rules. In the case of joint holders of a share, all notices shall be given to that holder for the time being whose name stands first in the register and notice so given shall be deemed a sufficient notice to all the joint holders."

### Article 162

By deleting the existing Article 162 in its entirety and substituting the following new Article 162:

"162. Any Notice or documents:

- (a) if sent by post, shall be deemed to have been served on the day following that on which the envelope or wrapper containing the same is put into a post office situated within Hong Kong and in proving such service it shall be sufficient to prove that the envelope or wrapper containing the Notice or document was properly prepaid, addressed and put into such post office and a certificate in writing by the Board that the envelope or wrapper containing the Notice or document was so properly prepaid, addressed and put into such post office shall be conclusive evidence thereof;
- (b) if delivered or left at a registered address otherwise than by post, shall be deemed to have been served or delivered on the day it was so delivered or left;
- (c) if served by advertisement, shall be deemed to have been served on the day of issue of the official publication and/or newspaper(s) in which the advertisement is published (or on the last day of issue if the official publication and/or newspaper(s) are published on different dates);
- (d) if sent by electronic means, shall be deemed to have been served at the time when the Notice or document is transmitted by electronic means where no notification has been received by the Company that the electronic communication has not reached its receipt, except that any failure in transmission beyond the Company's control shall not invalidate the effectiveness of the Notice or document being served;

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- (e) if published by electronic means (excluding publication on the Company Website), shall be deemed to have been served on the day on which the Notice or document is so published;
- (f) if published on the Company Website and/or the website of the Designated Stock Exchange, shall be deemed to have been served (i) on the date on which the notification required under the GEM Listing Rules is sent; or (ii) if later, the date on which the Notice or document first appears on the website after that notification is sent;
- (g) may be given to a Member either in the English language or the Chinese language, subject to due compliance with all applicable statutes, rules and regulations; and
- (h) may be given by the Company with written or printed signature by means of facsimile or, where relevant, by Electronic Signature.”

### **Article 163**

By deleting the existing Article 163 in its entirety and substituting the following new Article 163:

“163. A Member shall be entitled to have notice served on him at any address within Hong Kong or by any electronic means in compliance with these Articles, legislation and the GEM Listing Rules and any applicable laws, rules or regulations. Any Member who has not given an express positive confirmation in writing or a deemed confirmation to the Company in the manner specified in the GEM Listing Rules to receive or otherwise have made available to him Notices and documents to be given or issued to him by the Company by electronic means and whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. A Member who has no registered address in Hong Kong shall be deemed to have received any notice which shall have been displayed at the Registration Office or published on the Company Website shall have remained there for a period of 24 hours and such notice shall be deemed to have been received by such Member on the day on which it shall have been first so displayed or published on the Company Website, provided that, without prejudice to the other provisions of the Articles, nothing in this Article 163 shall be construed as prohibiting the Company from sending, or entitling the Company not to send, Notices or document of the Company to any Member whose registered address is outside Hong Kong.””

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- (B) “THAT any one Director of the Company be and is hereby authorised for and on behalf of the Company to do all such acts and things, to sign and execute such other documents, deeds and instruments and to take such steps as he may consider necessary, appropriate, desirable or expedient to give effect to or in connection with resolution no. 5(A) hereinabove and all other matters incidental thereto, including (without limitation) to agree to any amendments and to make such additional amendments to the Memorandum and Articles of the Company which in the opinion of any Director of the Company are not of a material nature and are incidental to the amendments set out in resolution no. 5(A) hereinabove.”

By the order of the Board  
**China Trends Holdings Limited**  
**Xiang Xin**  
*Chairman*

Hong Kong, 8 October 2010

*Registered office:*

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

*Principal place of business  
in Hong Kong:*

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

*Notes:*

1. A member entitled to attend and vote at the extraordinary general meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the extraordinary general meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the offices of the Company's 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 for holding the meeting or adjourned meeting. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the extraordinary general meeting or any adjournment thereof, should he so wish.
3. In accordance with the GEM Listing Rules, any vote of shareholders at a general meeting must be taken by poll. As such, the resolutions set out in this notice will be voted by poll.
4. The Articles are written in English. There is no official Chinese translation in respect thereof. Therefore, the Chinese version of proposed resolution no. 5(A) above on amendments of the Articles is purely a translation only. Should there be any discrepancy, the English version shall prevail.