

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **China Soft Power Technology Holdings Limited**, you should at once hand this circular and the enclosed form of proxy to the purchaser or 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 transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



China Soft Power Technology Holdings Limited

中國軟實力科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 139)

PROPOSED REFRESHMENT OF GENERAL MANDATE, PROPOSED RE-ELECTION OF DIRECTOR AND NOTICE OF SPECIAL GENERAL MEETING

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

Nuada Limited

A letter from the Board is set out on pages 3 to 15 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 16 to 17 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 36 of this circular.

A notice convening the SGM to be held at Ming Room II, Level 4, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Wednesday, 29 November 2017 at 9:30 a.m. is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM is enclosed with this circular.

Whether or not you intend to attend the SGM (or any adjournment thereof), you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for holding the SGM or any adjournment thereof (as the case may be).

Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such event the form of proxy shall be deemed to be revoked.

9 November 2017

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	3
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	16
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	18
APPENDIX — BIOGRAPHICAL DETAILS AND OTHER INFORMATION RELATING TO THE DIRECTOR PROPOSED TO BE RE-ELECTED	37
NOTICE OF SGM	SGM-1

DEFINITIONS

In this circular, unless the context otherwise requires, the following terms have the corresponding definitions listed below:

“2017 AGM”	annual general meeting of the Company held on 10 August 2017
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	board of Directors
“Bye-laws”	Bye-laws of the Company
“chief executive(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	China Soft Power Technology Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 139)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Current Issue Mandate”	general and unconditional mandate granted to the Directors to allot, issue and deal with 2,147,033,796 new Shares by a resolution of the Shareholders passed at the 2017 AGM
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders on, among other matters, the fairness and reasonableness of the proposed grant of the Refreshed General Mandate
“Independent Financial Adviser” or “Nuada”	Nuada Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on, among other matters, the fairness and reasonableness of the proposed grant of the Refreshed General Mandate

DEFINITIONS

“Independent Shareholders”	Shareholders other than any controlling shareholders and their associates or where there are no controlling shareholders, any Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates who shall hold any Shares as at the date of the SGM
“Independent Third Party(ies)”	an independent third party who, to the best of the Director’s knowledge, information and belief having made a reasonable enquiry, is not connected with the Company and its connected persons
“Latest Practicable Date”	6 November 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Refreshed General Mandate”	general and unconditional mandate proposed to be sought at the SGM to authorise the Directors to allot, issue and deal with new Shares not exceeding 20% of the total number of issued Shares as at the date of the SGM
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	special general meeting of the Company to be held at Ming Room II, Level 4, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Wednesday, 29 November 2017 at 9:30 a.m. to consider and, if thought fit, to approve the resolutions contained in the notice of the meeting which is set out on pages SGM-1 to SGM-3 of this circular
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

This circular is prepared in both English and Chinese. In the event of any inconsistency, the English text of this circular will prevail.



China Soft Power Technology Holdings Limited

中國軟實力科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 139)

Executive Directors:

Mr. Chen Xiaodong (*Chairman*)
Mr. Yu Qingrui
Ms. Lam Hay Yin
Ms. Lee Chau Man Ada

Registered address:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Independent non-executive Directors:

Mr. Kwok Chi Kwong
Mr. Chen Youchun
Mr. Mai Qijian

*Principal place of business
in Hong Kong:*

Unit 6706B-08A, Level 67
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

9 November 2017

To the Shareholders

Dear Sir or Madam,

**PROPOSED REFRESHMENT OF GENERAL MANDATE,
PROPOSED RE-ELECTION OF DIRECTOR
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with (i) information in respect of the resolution to be proposed at the SGM regarding the proposed grant of the Refreshed General Mandate; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the proposed grant of the Refreshed General Mandate; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed grant of the Refreshed General Mandate; (iv) information in respect of the resolution to be proposed at the SGM regarding the proposed re-election of Director; and (v) the notice of the SGM.

LETTER FROM THE BOARD

PROPOSED REFRESHMENT OF GENERAL MANDATE

Background of the proposed grant of the Refreshed General Mandate

Pursuant to an ordinary resolution passed by the Shareholders at the 2017 AGM, the Directors were granted the Current Issue Mandate to allot and issue up to 2,147,033,796 Shares, representing 20% of the total number of issued Shares as at the date of the 2017 AGM.

On 1 September 2017, the Company had entered into a sale and purchase agreement for the acquisition of 66% of the entire issued share capital of Instant Achieve Limited, pursuant to which 148,148,148 new Shares were to be allotted and issued by the Company under the Current Issue Mandate in accordance with the terms of the sale and purchase agreement (the “**IAL Acquisition**”). The IAL Acquisition was completed on 8 September 2017. Accordingly, a total of 148,148,148 new Shares under the Current Issue Mandate were allotted and issued as consideration issue for the IAL Acquisition.

On 1 September 2017, the Company had also entered into a sale and purchase agreement for the acquisition of the loan due and owing by Instant Achieve Limited, pursuant to which 833,333,333 new Shares were to be allotted and issued by the Company under the Current Issue Mandate in accordance with the terms of the sale and purchase agreement (the “**Loan Acquisition**”). The Loan Acquisition was completed on 8 September 2017. Accordingly, a total of 833,333,333 new Shares under the Current Issue Mandate were allotted and issued as consideration issue for the Loan Acquisition.

On 7 September 2017, the Company (through its subsidiary) had entered into a sale and purchase agreement for the acquisition of the entire issued share capital of Goodview Assets Limited, pursuant to which 1,000,000,000 new Shares were to be allotted and issued by the Company under the Current Issue Mandate in accordance with the terms of the sale and purchase agreement (the “**Goodview Acquisition**”). The Goodview Acquisition was completed on 13 September 2017. Accordingly, a total of 1,000,000,000 new Shares under the Current Issue Mandate were allotted and issued as consideration issue for the Goodview Acquisition.

The Current Issue Mandate had almost been fully utilised after the completion of the IAL Acquisition, the Loan Acquisition and the Goodview Acquisition. If the Current Issue Mandate is not refreshed, the Directors would only be allowed to allot and issue up to 165,552,315 Shares, representing only approximately 1.30% of the total number of issued Shares as at the Latest Practicable Date.

There had not been any refreshment of the Current Issue Mandate since the 2017 AGM up to the Latest Practicable Date.

Proposed refreshment of the Current Issue Mandate

For the reasons as set out below, the Board proposed to refresh the Current Issue Mandate for the Directors to allot and issue new Shares not exceeding 20% of the total number of issued Shares as at the date of the passing of such resolution.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company had 12,716,650,461 issued Shares. Subject to the passing of the ordinary resolution for the approval of the refreshment of the Current Issue Mandate and assuming that no Shares would be issued and/or repurchased by the Company and no share options of the Company would be exercised prior to the SGM, the refreshment of the Current Issue Mandate will allow the Directors to allot and issue up to 2,543,330,092 new Shares, being approximately 20% of the total number of issued Shares as at the Latest Practicable Date.

The Refreshed General Mandate, if granted, will expire at the earliest of: (a) the conclusion of the next annual general meeting of the Company; (b) the revocation or variation of the authority given under such resolution by ordinary resolution passed by the Shareholders in general meetings; and (c) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or any applicable laws to be held.

Reasons for the proposed grant of the Refreshed General Mandate

The Group is principally engaged in trading and distribution of electronic and accessory products and other merchandise, financial investments and trading and money lending business.

As explained above, the Current Issue Mandate has almost been fully utilised. As at the Latest Practicable Date, approximately 92.29% of the Current Issue Mandate has been utilised. As disclosed in the announcement of the Company dated 29 September 2017, the Company has changed its financial year end date from 31 March to 31 December and the forthcoming financial year end date of the Company will be 31 December 2017. Pursuant to the applicable laws and regulations, the Company intends to hold its forthcoming annual general meeting in or about late June 2018, where a new general mandate will be granted to the Directors to allot, issue and deal with up to 20% of the then total number of issued Shares (the “**New Issue Mandate**”).

The Board considers that the grant of the Refreshed General Mandate will allow the Company greater flexibility for any future allotment and issue of Shares as and when considered necessary. When there are funding needs and/or attractive opportunities for business development, investments and acquisitions arising before the next annual general meeting of the Company, which is around eight months from the Latest Practicable Date, the Board will be able to respond to such needs and/or opportunities promptly by utilising the Refreshed General Mandate.

As at the Latest Practicable Date, the Company does not have any concrete plan or arrangement on any fund raising activities or investment opportunities that will utilise the Refreshed General Mandate. However, the Group expects that there will be funding needs for the repayment of its current loans in the aggregate principal amount of approximately HK\$434 million which will fall due in the coming year. The current loans include (i) an unsecured loan (“**Loan A**”) from a lender (“**Lender A**”), who is an Independent Third Party, with a principal amount of HK\$200 million from 4 May 2017 to 17 November 2017 (as supplemented from time to time), bearing a monthly interest of 1.3%, which is not repayable on demand unless an event of default has occurred and offered no collaterals; and (ii) a loan (“**Loan B**”) from a lender (“**Lender B**”), who is an Independent Third Party, with a principal amount of US\$30 million from 5 July 2017 to 5 July 2018, bearing an annual interest rate of 11%, which is not repayable on demand unless an event of default has occurred and offered certain Hong Kong

LETTER FROM THE BOARD

listed shares held by the Group as charge for collateral. Although the repayment due date of Loan B will be in July 2018, by the time which the New Issue Mandate will have been granted to the Directors at the annual general meeting held in or about late June 2018, there may not be sufficient time for the Company to negotiate and arrange for fund raising activities that may utilise the New Issue Mandate with favourable terms given the short preparation time.

In taking out Loan A and Loan B, the Company considered the terms and conditions of the loan agreements, including the interest rates, the repayment dates and the amount of collateral required to be given (if any), and the Company is of the view that Loan A and Loan B have been entered into on normal commercial terms, such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The use of proceeds of Loan A is as follows:

- (i) approximately HK\$166 million was used as partial payment for the acquisition of a property at No. 2 Lincoln Road (via the acquisition of Sky Eagle Global Limited); and
- (ii) approximately HK\$34 million was lent to a borrower (“**Borrower A**”), who is an Independent Third Party, as an unsecured loan from 18 May 2017 to 17 May 2018 at an interest rate of 12% per annum, which was repayable on demand and offered no collateral.

The primary purpose of taking out Loan A on 4 May 2017 was to serve as a bridging loan to finance the abovementioned property acquisition which was completed on 9 May 2017, and it had been intended by the parties from the outset that Loan A was to be taken out as a short term loan. It is noted that in the Company’s circular dated 31 March 2017, it was stated that the Directors are of the view that the Group had enough cash to settle the remaining balance of the consideration of the property acquisition in cash as scheduled by requesting borrowers to repay loan receivables and/or disposing of equity investments without conducting additional fund raising activities. However, taking into account that (i) the loan receivables owed by the borrowers were not yet due at the time and the Company would prefer not to request early repayment of the loan receivables unless it was the last resort in order to maintain long term good business relationships with the borrowers; (ii) the interest rates differential between Loan A and the loan receivables would be minimal and manageable with the view that Loan A was to be taken out as a short term loan; and (iii) the securities investment had been enjoying a decent return, the Company considered that taking out Loan A to finance the property acquisition was on balance a better option than utilising the loan receivables and/or the proceeds from disposal of securities investment. For the same reasons, Loan A was then extended for three times since 4 May 2017 because the Company considered that the extension of Loan A was a better option than requesting borrowers to repay loan receivables and/or selling its securities investment to repay Loan A.

Subsequently, the Company completed a placing of shares on 8 May 2017, a few days after Loan A was taken out. After utilising HK\$36.2 million of the proceeds received from the placing as partial payment for the property acquisition, the Company only utilised approximately HK\$166 million of Loan A for the settlement of the remainder of the consideration, resulting in a surplus of approximately HK\$34 million from Loan A. Rather than leaving such HK\$34 million sitting idle and not getting any return to cover the interest

LETTER FROM THE BOARD

expenses under Loan A at that time, the Company utilised such amount by granting the loan to Borrower A, the terms of which were determined after arm's length negotiations between the parties. In granting the loan to Borrower A, the Company had considered that (i) such loan has been entered into on normal commercial terms and in the ordinary and usual course of business of the Group, its terms are fair and reasonable and is in the interests of the Company and the Shareholders as a whole; and (ii) such loan only accounted for a relatively small portion of Loan A (approximately 17% of the size of Loan A), hence it had granted the loan to Borrower A despite the fact that the monthly interest cost of Loan A payable by the Company appears to be higher than the interest income of the loan granted to Borrower A on an annual basis.

The use of proceeds of Loan B is as follows:

- (i) approximately HK\$20 million was lent to a borrower ("**Borrower B**"), who is an Independent Third Party, as an unsecured loan from 6 July 2017 to 5 July 2018 at an interest rate of 12% per annum, which was repayable on demand and offered no collateral;
- (ii) approximately HK\$100.6 million was spent for the purchase of securities of Hong Kong Exchanges and Clearing Limited (stock code: 388) ("**Company A**");
- (iii) approximately HK\$106.2 million was spent for the purchase of securities of Tencent Holdings Limited (stock code: 700) ("**Company B**"); and
- (iv) approximately HK\$7.2 million was used to finance general administration expenses of the Group.

The primary purpose of taking out Loan B was to provide the Group with working capital to finance its financial investments business, whereas the loan granted to Borrower B only accounted for a relatively small portion of Loan B (approximately 8.55% of the size of Loan B). The Company is of the view that despite earning only a 1% interest spread, providing such loan to Borrower B has provided the Group a certain level of diversification in terms of the nature of its return on investments, where money lending is of a fixed income nature while securities investment is more of a capital gain nature. This allows the Company to reduce volatility in its returns and better manage its risks in investment.

In granting the loan to Borrower B, the terms of which were determined after arm's length negotiations between the parties, the Company had conducted review on Borrower B's personal background, proof of repayment capabilities including securities portfolio statements, litigation checks and also the terms of the loans, and the Company is of the view that the loan granted to Borrower B has been entered into on normal commercial terms and in the ordinary and usual course of business of the Group, such terms are fair and reasonable and is in the interests of the Company and the Shareholders as a whole. In addition to being satisfied with the results of the review and due diligence conducted on Borrower B, given that Borrower B is a referral from one of the executive Directors with whom has a good standing, the Company is of the view that the default risk is low and the grant of the loan to Borrower B without collateral is acceptable. In any case, regular periodic reviews will be conducted by the credit committee of the Company to monitor the credit risk and safeguard timely repayment of the loan. For the above reasons, the Directors are of the view that the grant of the loan to Borrower B with no collateral earning a 1% interest spread is justified.

LETTER FROM THE BOARD

Regarding the Company's money lending business, all of the existing borrowers (including Borrower A and Borrower B) are either business contacts or referrals from the executive Directors which either have good standings or long term business relationships with the relevant executive Director(s), and no walk-in borrowers are served at the current stage. In order to safeguard the repayment of loans and minimise default risks, the loans have been approved by the credit committee of the Company (comprising the executive Directors and the financial controller of the Company) after proper due diligence has been carried out on the borrowers and regular periodic reviews will be conducted by the credit committee for monitoring the credit risk of the money lending business of the Group.

As one of the principal activities of the Company is financial investment and trading, certain portion of Loan B was also used to invest into securities of Company A and Company B. The Company's investment return in equity securities (including (i) realised gain/(loss) on disposal of equity investments at fair value through profit or loss; (ii) realised gain/(loss) on disposal of available-for-sale investments; and (iii) fair value change of available-for-sale investments and through profit or loss investments) in prior years were as follows:

	For the year ended 31 March 2017 (HK\$)	For the year ended 31 March 2016 (HK\$)	For the year ended 31 March 2015 (HK\$)
Realised and unrealised gain/(loss)	<u>353 million</u>	<u>(1,094 million)</u>	<u>26 million</u>

The Company began to utilise the proceeds from Loan B to acquire the securities of Company A and Company B from 7 July 2017 and 11 July 2017 respectively. The financial performances of Company A and Company B since 5 July 2017, being the date of the loan agreement in respect of Loan B, are as follows:

	Closing Price as at 5 July 2017 (HK\$)	Closing Price as at the Latest Practicable Date (HK\$)	Growth (%)
Company A	199.50	224.00	12.28
Company B	<u>271.00</u>	<u>377.00</u>	<u>39.11</u>

With a turnaround of the investment return of the Company in equity securities in the latest financial year, and given the strong financial performances of Company A and Company B, the Company is of the view that its investment in their securities will bring a long term benefit to the Group and the Shareholders as a whole.

Moreover, the Group is in the course of expanding its securities investment business in Central Wealth Securities Investment Limited, which may require capital injection from time to time. Central Wealth Securities Investment Limited is licensed to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO. In particular,

LETTER FROM THE BOARD

it is principally engaged in the provision of brokerage services and margin financing, the latter of which is capital intensive. Since 11 September 2017, the Company (through its wholly-owned subsidiary Instant Achieve Limited) has already increased the issued share capital of Central Wealth Securities Investment Limited by HK\$80,000,000 to expand its margin financing business. With a view to seize more business opportunities brought by the positive prospect of the margin financing market in Hong Kong, the Group intends to inject additional capital for the business development of Central Wealth Securities Investment Limited. As at the Latest Practicable Date, the Group's capital injection plan for Central Wealth Securities Investment Limited within the coming year is as follows:

Date	Additional capital injection (HK\$)	Purpose of additional capital injection
By 31 March 2018	50 million	Approximately HK\$37 million will be used for expansion in margin financing business and approximately HK\$13 million will be used for working capital
By 30 September 2018	50 million	Approximately HK\$37 million will be used for expansion in margin financing business and approximately HK\$13 million will be used for working capital

The Board has considered other financing or fund raising alternatives such as debt financing, rights issues or open offers or realisation of the Company's equity investments, taking into account the current financial position, capital structure and cost of funding of the Group. However, most of these alternatives usually require long preparation time and may be subject to lengthy due diligence and negotiations, thus it may not allow the Company to grasp potential opportunities in a timely manner. In addition, most of these alternatives will incur interest burden or higher costs such as underwriting commission and administrative cost for trading arrangements. In comparison, the Board considers that equity financing under general mandate is relatively more efficient and faster and avoids uncertainties in circumstances where specific mandate may not be obtained in a timely manner. The Board would exercise due and careful consideration when choosing the best financing method available to the Company.

The Board notes that the utilisation of the Refreshed General Mandate will dilute the shareholding interest of the Shareholders. However, taking into account the above reasons and benefits and having considered that (a) almost all of the Current Issue Mandate had been utilised by the Company as at the Latest Practicable Date; (b) the grant of the Refreshed General Mandate will enhance the flexibility and ability of the Company to timely seize any appropriate business or fund raising opportunities which may arise at any time; and (c) the Refreshed General Mandate will allow the Company to have an additional option of financing in order to facilitate the Group's management and development of its business and investment and to better cope with any unexpected changes in economic or business environment, the Board believes that the potential dilution effect is justifiable and that the grant of the Refreshed General Mandate is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Fund raising activities during the past twelve months

The following table summarises the fund raising activities by the Company in the past twelve months immediately prior to the Latest Practicable Date:

Date of announcement	Event	Net Proceeds (approximately)	Intended use of proceeds (as announced)	Actual use of proceeds
22 December 2016	Placing of notes (completion for the placing of seven-year 4% coupon notes took place on 10 January 2017)	HK\$86,574,000	For money lending business	Utilised for money lending business of the Group (<i>Note 2</i>)
8 May 2017	Placing of new Shares under general mandate	HK\$198,300,000	(i) Approximately 50% for financial investments and trading; (ii) approximately 30% for money lending business; and (iii) approximately 20% for general working capital	(i) Approximately HK\$99.2 million for financial investments and trading (<i>Note 1</i>); (ii) approximately HK\$59.4 million for money lending business (<i>Note 2</i>); and (iii) approximately HK\$39.7 million for general working capital (<i>Note 3</i>)
7 August 2017	Share swap under general mandate	No net proceeds had been received (<i>Note 4</i>)	Set off against the price of the subscription of 470,000,000 shares in Future World Financial Holdings Limited	Set off as intended

Save as disclosed above, the Company has not conducted any other fund raising activities in the past twelve months immediately prior to the Latest Practicable Date.

Notes:

1. Proceeds of HK\$99.2 million were spent for the purchase of securities of a Hong Kong listed company.
2. Proceeds of HK\$146 million were spent as follows:
 - (a) HK\$40 million was lent to Borrower I as an unsecured loan from 10 January 2017 to 9 January 2018 at an interest rate of 10% per annum, which was repayable on demand and offered no collaterals;
 - (b) HK\$30 million was lent to Borrower II as an unsecured loan from 11 January 2017 to 10 January 2018 at an interest rate of 10% per annum, which was repayable on demand and offered no collaterals;

LETTER FROM THE BOARD

- (c) HK\$16.6 million was lent to Borrower III as part of an unsecured loan of HK\$40 million from 25 January 2017 to 24 January 2018 at an interest rate of 7% per annum, which was repayable on demand and offered no collaterals;
 - (d) HK\$48 million was lent to Borrower IV as an unsecured loan from 11 May 2017 to 10 November 2017 at an interest rate of 8% per annum, which was repayable on demand and offered no collaterals; and
 - (e) HK\$11.4 million was lent to Borrower V as part of an unsecured loan of HK\$18.65 million from 11 May 2017 to 10 November 2017 at an interest rate of 8% per annum, which was repayable on demand and offered no collaterals.
3. Proceeds of HK\$39.7 million were spent as follows:
- (a) HK\$3.5 million was spent for general administration expenses such as audit fee and rental expenses; and
 - (b) HK\$36.2 million was spent for partial payment of the acquisition of the property at No. 2 Lincoln Road, Kowloon.
4. The price of the subscription of 470,000,000 Shares payable by Future World Financial Holdings Limited had been set off against the price of the subscription of 470,000,000 shares in Future World Financial Holdings Limited payable by the Company. As such, no net proceeds had been received by the Company from the share swap.

LETTER FROM THE BOARD

Potential dilution on shareholdings

To the best of the knowledge, belief and information of the Directors, the table below sets out, for illustrative and reference purpose, the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon full utilisation of the Refreshed General Mandate (assuming no other Shares would be issued and/or repurchased by the Company and no share options of the Company would be exercised from the Latest Practicable Date up to and including the date of the SGM):

Shareholders	As at the Latest Practicable Date		Upon full utilisation of the Refreshed General Mandate	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Directors				
Chen Xiaodong	4,180,246	0.03	4,180,246	0.03
Lam Hay Yin	13,176	0.01	13,176	0.01
Lee Chau Man Ada	28,261,150	0.22	28,261,150	0.19
Yu Qingrui	5,563,610	0.04	5,563,610	0.04
Mai Qijian	179,533	0.01	179,533	0.01
Other Shareholders				
Wei Zhenyu	2,150,000,000	16.91	2,150,000,000	14.09
Chen Xiangru	1,853,992,000	14.58	1,853,992,000	12.15
Future World Financial Holdings Limited and its subsidiaries	1,470,621,316	11.56	1,470,621,316	9.64
Dragon Huge Development Limited	1,000,000,000	7.86	1,000,000,000	6.55
Public Shareholders	6,203,839,430	48.79	6,203,839,430	40.65
New Shares which may be issued under the Refreshed General Mandate	—	—	<u>2,543,330,092</u>	<u>16.67</u>
Total (<i>Note</i>)	<u>12,716,650,461</u>	<u>100.00</u>	<u>15,259,980,553</u>	<u>100.00</u>

Note: Please note that the percentages may not add up to 100% due to rounding.

Upon full utilisation of the Refreshed General Mandate, 2,543,330,092 Shares will be issued, representing approximately 20% of the total number of issued Shares as at the Latest Practicable Date and approximately 16.67% of the total number of issued Shares as enlarged by the Shares issued under the Refreshed General Mandate. Assuming that no other Shares would be issued and/or repurchased by the Company and no share options of the Company would be exercised from the Latest Practicable Date up to and including the date of the SGM, the aggregate shareholding of the public Shareholders will decrease from approximately 48.79% as at the Latest Practicable Date to approximately 40.65% upon full utilisation of the Refreshed General Mandate, representing a potential maximum dilution in public shareholding by approximately 16.67%.

LETTER FROM THE BOARD

PROPOSED RE-ELECTION OF DIRECTOR

Reference is made to the announcement of the Company dated 18 September 2017 in relation to, among others, the appointment of Ms. Lee Chau Man Ada (“**Ms. Lee**”) as an executive Director with effect from 18 September 2017. Pursuant to the Bye-laws, any Director who is appointed either to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the first general meeting of the Company after his/her appointment and shall then be eligible for re-election at that meeting. Accordingly, Ms. Lee shall retire and, being eligible, has offered herself for re-election at the SGM.

The biographical details and other information of Ms. Lee are set out in the Appendix to this circular.

SGM

The notice convening the SGM is set out on pages SGM-1 to SGM-3 of this circular. At the SGM, ordinary resolutions will be proposed to consider and, if thought fit, approve the proposed grant of the Refreshed General Mandate and the proposed re-election of Director.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to attend the SGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company’s branch share register in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof should you so wish and in such event the form of proxy shall be deemed to be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, any votes of the Shareholders at a general meeting must be taken by poll. Accordingly, the resolutions in relation to the proposed grant of the Refreshed General Mandate and the proposed re-election of Director to be proposed at the SGM will be voted by way of a poll by the Shareholders.

As the proposed grant of the Refreshed General Mandate is to be proposed to the Shareholders before the Company’s next annual general meeting, pursuant to the Listing Rules, this proposal is subject to the Independent Shareholders’ approval by way of poll at the SGM. Pursuant to Rule 13.36(4) of the Listing Rules, any controlling shareholders and their associates or, where there are no controlling shareholders, 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 proposed grant of the Refreshed General Mandate.

As at the Latest Practicable Date, to the best of the knowledge, belief and information of the Directors, having made all reasonable enquiries, (i) the Company has no controlling shareholders; (ii) Mr. Chen Xiaodong, an executive Director, holds 4,180,246 Shares, representing approximately 0.03% of the total number of issued Shares; (iii) Ms. Lam Hay Yin, an executive Director, holds 13,176 Shares, representing approximately 0.01% of the total

LETTER FROM THE BOARD

number of issued Shares; (iv) Ms. Lee, an executive Director, holds 28,261,150 Shares, representing approximately 0.22% of the total number of issued Shares; (v) Mr. Yu Qingrui, an executive Director, holds 5,563,610 Shares, representing approximately 0.04% of the total number of issued Shares; and (vi) the Company has no chief executive who holds any Shares.

As such, each of Mr. Chen Xiaodong, Ms. Lam Hay Yin, Ms. Lee and Mr. Yu Qingrui, representing in aggregate approximately 0.30% of the total number of issued Shares, together with their respective associates who shall hold any Shares as at the date of the SGM, are required to abstain from voting in favour of the resolution approving the proposed grant of the Refreshed General Mandate at the SGM.

RECOMMENDATION

Nuada has been appointed as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders with regard to the proposed grant of Refreshed General Mandate and it considers that the proposed grant of Refreshed General Mandate is in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned. Your attention is drawn to the letter of advice from Nuada containing its recommendation and the principal factors and reasons it has taken into account in arriving at its recommendation as set out in this circular.

The Independent Board Committee, having taken the advice of Nuada into account, considers the terms of the proposed grant of Refreshed General Mandate are fair and reasonable so far as the Independent Shareholders are concerned and the proposed grant of Refreshed General Mandate is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution relating to the proposed grant of Refreshed General Mandate. The full text of the letter from the Independent Board Committee is set out in this circular.

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the proposed grant of Refreshed General Mandate are fair and reasonable and the proposed grant of Refreshed General Mandate is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Independent Shareholders should vote in favour of the relevant resolution to be proposed at the SGM.

The Directors also recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the proposed re-election of Director.

EXPERT AND CONSENT

Nuada Limited, the Independent Financial Adviser, has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

Yours faithfully,
By and on behalf of the Board
China Soft Power Technology Holdings Limited
Chen Xiaodong
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the proposed grant of the Refreshed General Mandate:



China Soft Power Technology Holdings Limited

中國軟實力科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 139)

9 November 2017

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED REFRESHMENT OF GENERAL MANDATE

We refer to the circular dated 9 November 2017 issued by the Company to its Shareholders (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed as members of the Independent Board Committee to advise you as to the fairness and reasonableness of the proposed grant of the Refreshed General Mandate and to recommend you as to how the Independent Shareholders should vote at the SGM in respect of the resolution relating to the proposed grant of the Refreshed General Mandate. Nuada has been appointed as the Independent Financial Adviser to advise us, the Independent Board Committee, and you, the Independent Shareholders, in relation to the proposed grant of the Refreshed General Mandate.

Your attention is drawn to the letter from the Board as set out on pages 3 to 15 of the Circular, and the letter from the Independent Financial Adviser to us and the Independent Shareholders containing its advice in respect of the proposed grant of the Refreshed General Mandate as set out on pages 18 to 36 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Taking into account the principal factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we concur with the views of the Independent Financial Adviser and consider that the proposed grant of the Refreshed General Mandate is in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that the Independent Shareholders vote in favour of the ordinary resolution to be proposed at the SGM to approve the proposed grant of the Refreshed General Mandate.

Yours faithfully,

Mr. Kwok Chi Kwong

Mr. Chen Youchun

Mr. Mai Qijian

Independent Board Committee

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited dated 9 November 2017 prepared for the purpose of inclusion in this circular.

Nuada Limited

Unit 1805-08, 18/F
OfficePlus @Sheung Wan
93-103 Wing Lok Street
Sheung Wan, Hong Kong
香港上環永樂街93-103號
協成行上環中心18樓1805-08室

9 November 2017

*To the Independent Board Committee
and the Independent Shareholders of
China Soft Power Technology Holdings Limited*

Dear Sirs,

PROPOSED REFRESHMENT OF GENERAL MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed grant of the Refreshed General Mandate, details of which are set out in the section headed “Letter from the Board” (the “**Letter from the Board**”) in the Company’s circular dated 9 November 2017 to the Shareholders (the “**Circular**”), of which this letter forms part. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Pursuant to an ordinary resolution passed by the Shareholders at the 2017 AGM, the Directors were granted the Current Issue Mandate to allot and issue up to 2,147,033,796 Shares, representing approximately 20% of the total number of issued Shares as at the date of the 2017 AGM.

Subsequent to the 2017 AGM, (i) 148,148,148 new Shares were allotted and issued by the Company on 8 September 2017 under the Current Issue Mandate in accordance with the terms of the sale and purchase agreement dated 1 September 2017 entered into by the Company for the acquisition of 66% of the entire issued share capital of Instant Achieve Limited (the “**IAL Acquisition**”); (ii) 833,333,333 new Shares were allotted and issued by the Company on 8 September 2017 under the Current Issue Mandate in accordance with the terms of the sale and purchase agreement dated 1 September 2017 entered into by the Company for the acquisition of the loan due and owing by Instant Achieve Limited (the “**Loan Acquisition**”); and (iii) 1,000,000,000 new Shares were allotted and issued by the Company on 13 September 2017

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

under the Current Issue Mandate in accordance with the terms of the sale and purchase agreement dated 7 September 2017 entered into by the Group for the acquisition of the entire issued share capital of Goodview Assets Limited (the “**Goodview Acquisition**”).

The Current Issue Mandate had almost been fully utilised after the completion of the IAL Acquisition, the Loan Acquisition and the Goodview Acquisition. If the Current Issue Mandate is not refreshed, the Directors would only be allowed to allot and issue up to 165,552,315 Shares, representing only approximately 1.30% of the total number of issued Shares as at the Latest Practicable Date.

The Board proposes to refresh the Current Issue Mandate for the Directors to allot and issue new Shares not exceeding 20% of the total number of issued Shares as at the date of the passing of such resolution. Pursuant to Rule 13.36(4) of the Listing Rules, any controlling shareholders and their associates or, where there are no controlling shareholders, 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 proposed grant of the Refreshed General Mandate.

As at the Latest Practicable Date, to the best of the knowledge, belief and information of the Directors, having made all reasonable enquiries, (i) the Company has no controlling Shareholders; (ii) Mr. Chen Xiaodong, an executive Director, holds 4,180,246 Shares, representing approximately 0.03% of the total number of issued Shares; (iii) Ms. Lam Hay Yin, an executive Director, holds 13,176 Shares, representing approximately 0.01% of the total number of issued Shares; (iv) Ms. Lee Chau Man Ada, an executive Director, holds 28,261,150 Shares, representing approximately 0.22% of the total number of issued Shares; (v) Mr. Yu Qingrui, an executive Director, holds 5,563,610 Shares, representing approximately 0.04% of the total number of issued Shares; and (vi) the Company has no chief executive who holds any Shares.

As such, each of Mr. Chen Xiaodong, Ms. Lam Hay Yin, Ms. Lee Chau Man Ada and Mr. Yu Qingrui, representing in aggregate approximately 0.30% of the total number of issued Shares, together with their respective associates who shall hold any Shares as at the date of the SGM, are required to abstain from voting in favour of the resolution approving the proposed grant of the Refreshed General Mandate at the SGM.

The Independent Board Committee has been established to advise the Independent Shareholders on the proposed grant of the Refreshed General Mandate. We, Nuada Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, we have issued the following letters in respect of certain transactions of the Group:

Transactions	Relevant letters issued by us	Date of our letters
Discloseable and connected transaction	Letter of advice as an independent financial adviser to the then independent shareholders of the Company	3 August 2016
Major acquisition and connected transaction	Letter of advice as an independent financial adviser to the then independent shareholders of the Company	31 March 2017

Save for the above engagements and this appointment as the Independent Financial Adviser in respect of the proposed grant of the Refreshed General Mandate, there were no other engagements between the Group and Nuada Limited. Apart from normal professional fees for our services to the Company in connection with the aforementioned engagements as well as this appointment as the Independent Financial Adviser, no other arrangement exists whereby we have received or will receive any fees and/or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we are independent from, and are not associated with the Company, or its substantial shareholder(s) or connected person(s) as defined under the Listing Rules, and accordingly are considered eligible to give independent advice on the proposed grant of the Refreshed General Mandate.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed in the Circular, having made all reasonable inquiries, that to the best of their knowledge, opinion expressed in the Circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Circular misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the proposed grant of the Refreshed General Mandate. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation in respect of the proposed grant of the Refreshed General Mandate, we have taken into consideration the following principal factors and reasons:

1. Background information of the proposed grant of the Refreshed General Mandate

The Group is principally engaged in trading and distribution of electronic and accessory products and other merchandise, financial investments and trading and money lending business.

As disclosed above, the Current Issue Mandate had almost been fully utilised after the completion of the IAL Acquisition, the Loan Acquisition and the Goodview Acquisition. If the Current Issue Mandate is not refreshed, the Directors would only be allowed to allot and issue up to 165,552,315 Shares, representing only approximately 1.30% of the total number of issued Shares as at the Latest Practicable Date.

The Board proposes to seek approval of the Independent Shareholders for the proposed grant of the Refreshed General Mandate such that the Directors will be granted the authority to allot, issue and deal with new Shares not exceeding 20% of the number of issued Shares of the Company as at the date of the passing of the relevant resolution at the SGM.

As at the Latest Practicable Date, the Company had 12,716,650,461 Shares in issue. On the basis that (i) no Shares would be issued and/or repurchased by the Company; and (ii) no share options of the Company would be exercised from the Latest Practicable Date up to the date of the SGM, the proposed grant of the Refreshed General Mandate would allow the Directors to allot, issue and deal with up to 2,543,330,092 new Shares, representing approximately 20% of the total number of issued Shares of the Company as at the date of the SGM.

The Refreshed General Mandate, if granted, will expire at the earliest of: (a) the conclusion of the next annual general meeting of the Company; (b) the revocation or variation of the authority given under such resolution by ordinary resolution passed by the Shareholders in general meetings; and (c) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or any applicable laws to be held.

2. Reasons for the proposed grant of the Refreshed General Mandate

As stated in the Letter from the Board and as disclosed above, approximately 92.29% of the Current Issue Mandate has been utilised as at the Latest Practicable Date. As disclosed in the announcement of the Company dated 29 September 2017, the Company has changed its financial year end date from 31 March to 31 December and the forthcoming financial year end date of the Company will be 31 December 2017. Pursuant to the applicable laws and regulations, the Company intends to hold its forthcoming annual general meeting in or about late June 2018, where a new general mandate will be granted to the Directors to allot, issue and deal with up to 20% of the then total number of issued Shares (the “**New Issue Mandate**”). The Board considers that the grant of the Refreshed General Mandate will allow the Company greater flexibility for any future allotment and issue of Shares as and when considered necessary. When there are funding needs and/or attractive opportunities for business development, investments and acquisitions arising before the next annual general meeting of the Company, probably in June 2018, which is around eight months from the Latest Practicable Date, the Board will be able to respond to such needs and/or opportunities promptly by utilising the Refreshed General Mandate.

According to the management of the Company, in consideration of an investment decision, the Board will first study the outlook of the relevant industry of the potential investment. If the outlook is promising, the management of the Company will weigh the acquisition cost of the potential investment against the potential benefits (e.g. enhancement of revenue, profit and/or assets of the Group). Assuming that an overall positive outcome (but the Company does not have any pre-set quantitative benchmark) is expected from the investment based on the aforesaid assessment, the management of the Company will choose the most appropriate payment method based on the Group’s financial position at that moment of time; otherwise if the outcome of the overall assessment is negative, the Company would turn down the transaction. In case where the potential vendor insists to receive Shares as consideration instead of cash, the management of the Company will take into account (i) the ratio of the issue price of the consideration Shares to the then market price of the Shares; (ii) the respective dilution effect to the Shareholders in terms of the shareholdings and the value of the Shares; and (iii) effect on the net asset per Share due to the issue of the consideration Shares before selecting the utilisation of general mandate of the Company.

Meanwhile, in the event the Company proposes to raise funds for cash, the management of the Company will consider the reasons for such fund raising activity, such as for investment, expansion of existing business or repayment of debt, the procedures of which is similar to those as described above (i.e. market outlook, costs and benefits, etc). If the reasons are valid, the management of the Company will consider whether the current cash level of the Group allows the Group to fulfil its needs in lieu of conducting fund raising exercise. Given there is insufficient cash, the Group then chooses among (i) debt financing (factors include whether there is a willing lender, the terms of the aforesaid debt, such as interest rate, and the gearing ratio of the Group at the time) and (ii) various equity financing methods (factors include the time cost, issue price of the Shares, the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

respective dilution effect to the Shareholders in terms of the shareholdings and the value of the Shares, and effect on the net asset per Share due to the issue of the Shares) such as rights issue, open offer or issue of Shares under general mandate of the Company.

According to the management of the Company, if the terms of the transaction are not favourable to the Company, the Company would further negotiate with the counter parties for better terms or turn down the transaction.

As discussed with the management of the Company and after review of relevant documents in relation to the above procedures (please refer to our analysis below for detailed information) and criteria, we are of the opinion that the aims of the aforesaid procedures is to assess the overall outcome of an investment and financing decision of the Company by the management of the Company, and we are of the view and concur with the view of the management of the Company that the aforesaid procedure is justifiable.

As at the Latest Practicable Date, the Company does not have any concrete plan or arrangement on any fund raising activities or investment opportunities that will utilise the Refreshed General Mandate. However, the Group expects that there will be funding needs for the repayment of its current loans in the aggregate principal amount of approximately HK\$434 million which will fall due in the coming year, and expansion of its securities investment business in Central Wealth Securities Investment Limited (“**CWSI**”) (details of which are discussed in the sub-paragraph headed “(b) Business expansion of CWSI” below).

(a) Details in relation to the Loans

The current loans of the Group include (i) an unsecured loan (“**Loan A**”) from an Independent Third Party, with a principal amount of HK\$200 million from 4 May 2017 to 17 November 2017 (as supplemented from time to time), bearing a monthly interest of 1.3%, which is not repayable on demand unless an event of default has occurred and offered no collaterals; and (ii) a loan (“**Loan B**”) from another lender, who is also an Independent Third Party, with a principal amount of US\$30 million (equivalent to approximately HK\$234 million) from 5 July 2017 to 5 July 2018, bearing an annual interest rate of 11%, which is not repayable on demand unless an event of default has occurred and offered certain Hong Kong listed shares held by the Group as charge for collateral. Although the repayment due date of the Loan B will be in July 2018, by the time when the New Issue Mandate will have been granted to the Directors at the annual general meeting held in or about late June 2018, there may not be sufficient time for the Company to negotiate and arrange for fund raising activities that may utilise the New Issue Mandate with favourable terms given the short preparation time.

We note that in the Company’s circular dated 31 March 2017, it was stated that the Directors are of the view that the Group had enough cash to settle the remaining balance of the consideration for the acquisition of the property (the “**Property**”) in cash as scheduled by requesting borrowers to repay loan receivables and/or disposing of equity investments without conducting additional fund raising activities. Nevertheless, the Company took out Loan A on 4 May 2017.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Subsequently, the Company completed a placing of Shares on 8 May 2017, a few days after Loan A was taken out. After utilising HK\$36.2 million of the proceeds received from the placing as partial payment for the acquisition of the Property, the Company only utilised approximately HK\$166 million of Loan A for the settlement of the remainder of the consideration, resulting in a net surplus of approximately HK\$34 million from Loan A. Rather than leaving such HK\$34 million sitting idle and not getting any return to cover the interest expenses under Loan A at that time, the Company utilised such amount by granting the loan to Borrower A, the terms of which were determined after arm's length negotiations between the parties. In granting the loan to Borrower A, the Company had considered that (i) such loan has been entered into on normal commercial terms and in the ordinary and usual course of business of the Group, its terms are fair and reasonable and the granting of the loan is in the interests of the Company and the Shareholders as a whole; and (ii) such loan only accounted for a relatively small portion of Loan A (approximately 17% of the size of Loan A), hence it had granted the loan to Borrower A despite the fact that the monthly interest cost of Loan A payable by the Company appears to be higher than the interest income of the loan granted to Borrower A on an annual basis.

Prior to the entering into of the agreement in respect of the acquisition of the Property, the management of the Company (i) takes an optimistic view with regards to the outlook of the luxurious property in Hong Kong and considers that the value of the Property may rise in the future, which will be beneficial to the Group, and therefore the Group decided to proceed with the aforesaid acquisition; (ii) are of the view that the consideration for the acquisition is fair and reasonable; and (iii) are of the view that the Property has a very high re-saleability in the property market as the Property had already been sold and purchased two times during the previous 14-month period.

After discussion with the management of the Company and review of relevant documents, we noted that they (i) made reference to the historical price index of class E private domestic property in Hong Kong, which rose each month from 264.0 in March 2016 to 284.3 (provisional figure) in September 2016, representing an increase of approximately 7.7% in a six month period, and considered that the stable rental income from the Property (HK\$450,000 per month for a term of two years from 1 January 2017) can enhance the revenue of the Company; and (ii) made reference to the preliminary valuation report of the Property regarding the consideration of the acquisition of the Property. Based on the above, we are of the view and concur with the management of the Company that they have performed the relevant assessment procedure regarding the acquisition of the Property.

In consideration of taking Loan A, the management of the Company taking into account that (i) the loan receivables owed by the borrowers were not yet due at the time and the Company would prefer not to request early repayment of the loan receivables unless it was the last resort in order to maintain long term good business relationships with the borrowers; (ii) the interest rates differential between Loan A and the loan receivables would be minimal and manageable with the view that Loan A was to be taken out as a short term loan; and (iii) the securities investment had been enjoying a decent return, the Company considered that taking out Loan A to finance the property acquisition

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

was on balance a better option than utilising the loan receivables and/or the proceeds from disposal of securities investment. For the same reasons, Loan A was then extended for three times since 4 May 2017 because the Company considered that the extension of Loan A was a better option than requesting borrowers to repay loan receivables and/or selling its securities investment to repay Loan A.

In particular, the management of the Company noted that the performance of the investment portfolio of the Group was decent at that moment of time, where the stock price of CMBC Capital Holdings Limited (“CMBC”) (then known as Skyway Securities Group Limited) which accounted for the majority of the Group’s investment portfolio continued to rise, by approximately 34.5% in around one month from 31 March 2017 (being the date of circular in relation to the acquisition of the Property) to 4 May 2017 (being the date of the loan agreement in relation to Loan A). In view of the growth in stock price of CMBC during the aforesaid period, the management of the Company re-examined the announcements of CMBC in relation to, among others, an unconditional mandatory cash general offer for the shares of CMBC. The management of the Company considered that the beneficial owner of the offeror, China Minsheng Banking Corporation Limited, being a large-scale commercial bank in China, and its further intention to develop the existing business of CMBC may contribute to such increase in stock price, and such increase may continue. Nevertheless, the management of the Company also considered that in the event the stock price of CMBC was not as expected, the management of the Company could dispose of the shares of CMBC to repay Loan A (which had a short maturity period of one month). Although the monthly interest rate of Loan A was 1.2% per month (which is equivalent to 14.4% per annum), having considered (i) the overall positive market sentiment in the property market in Hong Kong (increase of price index by 7.7% in a six month period); (ii) the opportunity cost if the Company requests early repayment of its loan receivables or disposes of its securities which had decent return at the time; and (iii) Loan A is taken as a bridging loan for a short period of time only and the Company could dispose of the securities of CMBC to repay if the stock price performance was not satisfactory, the management of the Company decided to draw down and utilise Loan A. Based on the above, we are of the view and concur with the management of the Company that they have performed the relevant assessment procedure regarding the taking out and utilisation of Loan A. For reference purpose only, the closing price of CMBC further increased from HK\$0.39 on 4 May 2017 to HK\$0.69 on the Latest Practicable Date.

As stated in the Letter from the Board, the purpose of taking out Loan B was to provide the Group with working capital to finance its financial investments business, in particular to invest in blue chip stocks (i.e. Hang Seng Index constituents) in view of the growing of Hong Kong stock market, whereas the loan granted to Borrower B only accounted for a relatively small portion of Loan B (approximately 8.55% of the size of Loan B). The Company is of the view that despite earning only a 1% interest spread, providing such loan to Borrower B has provided the Group a certain level of diversification in terms of the nature of its return on investments, where money lending is of a fixed income nature while securities investment is more of a capital gain nature. This allows the Company to reduce volatility in its returns and better manage its risks in investment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In consideration of taking out Loan B for the Company's financial investments business, the management of the Company have looked into the performance of the Hong Kong stock market. They noted that the Hang Seng Index rose from 22,150 points on 3 January 2017 to 25,765 points on 30 June 2017, representing an increase of approximately 16.3% during the six months period. In view of this, the management of the Company considered that it presented an opportunity for the Company to invest in blue chip stocks and decided to take out Loan B for the Company's financial investments business.

Before the utilisation of Loan B, the management of the Company had reviewed two research reports on Hong Kong Exchanges and Clearing Limited (stock code: 388) ("**Hong Kong Exchange**") and Tencent Holdings Limited (stock code: 700) ("**Tencent**"), being two blue chip companies, published by two international banks respectively. The management of the Company are of the view that the Hong Kong Exchange may launch the Qianhai Mercantile Exchange, its spot commodities trading platform, by the end of 2017 or early 2018. The aforesaid new exchange, which will be headquartered in Qianhai, Shenzhen, represents a key initiative in Hong Kong Exchange's commodities business development in China. Meanwhile, the management of the Company also considered that the Bond Connect, which was officially launched on 3 July 2017, will have major long term implications and may bring about long term growth for Hong Kong Exchange and be reflected in its share price in the long term. As for Tencent, it posted its highest quarterly profit growth in over two years in May 2017 and coupled by a strong growth in gaming and digital payments. Tencent has also intended to boost its profits with expansion plans with its payments application, i.e. WeChat Pay, among local and international merchants on the aforesaid application. After examination of the general outlook of Hong Kong Exchange and Tencent, and also taking into account the strong historical price performance (increase of approximately 9.5% and 47.4% for the six month ended 30 June 2017 respectively for securities of Company A and Company B), the management of the Company decided to utilise the proceeds from Loan B for the investment in the securities of Hong Kong Exchange and Tencent. Based on the above, we are of the view and concur with the management of the Company that they have performed the relevant assessment procedure regarding the investment in Hong Kong Exchange and Tencent. For reference purpose, the price of Hong Kong Exchange and Tencent increased by approximately 11.0% and 35.0% for the period from 30 June 2017 to Latest Practicable Date respectively.

In granting the loan to Borrower B, the terms of which were determined after arm's length negotiations between the parties, the Company had conducted review on Borrower B's personal background, proof of repayment capabilities including securities portfolio statements, litigation checks and also the terms of the loans, and the Company is of the view that the loan granted to Borrower B has been entered into on normal commercial terms and in the ordinary and usual course of business of the Group, such terms are fair and reasonable and is in the interests of the Company and the Shareholders as a whole. In addition to being satisfied with the results of the review and due diligence conducted on Borrower B, given that Borrower B is a referral from one of the executive Directors with whom has a good standing, the Company is of the view that the default risk is low and the grant of the loan to Borrower B without collateral is acceptable. In any case, regular periodic reviews will be conducted by the credit committee of the Company to monitor

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the credit risk and safeguard timely repayment of the loan. For the above reasons, the Directors are of the view that the grant of the loan to Borrower B with no collateral earning a 1% interest spread is justified. Based on the above, we are of the view and concur with the view of the management of the Company that they have performed the relevant assessment procedure regarding the taking out and utilisation of Loan B.

After discussion with the management of the Company, we noted that in granting the loans to Borrower A and Borrower B, the Company had reviewed Borrower A and Borrower B's personal backgrounds, proof of repayment capabilities, litigation checks and also the terms of the loans. The aforesaid loans have been approved by the credit committee of the Company (comprising the executive Directors and the financial controller of the Company) after proper due diligence has been carried out on the borrowers and regular periodic reviews will be conducted by the credit committee for monitoring the credit risk of the money lending business of the Group. The Company is of the view that the loans granted to Borrower A and Borrower B have been entered into on normal commercial terms and in the ordinary and usual course of business of the Group, such terms are fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Regarding the Company's money lending business, all of the existing borrowers (including Borrower A and Borrower B) are either business contacts or referrals from the executive Directors which either have good standings or long term business relationships with the relevant executive Director(s), and no walk-in borrowers are served at the current stage. Having considered the aforementioned procedure regarding credit assessment and that Borrower A and Borrower B were referred to the Group by one of the Directors with good standings, the Company is of the view that the grant of such loans to Borrower A and Borrower B without collateral is acceptable.

We are of the view and concur with the view of the management of the Company that as the aforesaid loans have been approved by the credit committee of the Company (comprising the executive Directors and the financial controller of the Company) after proper due diligence has been carried out on the borrowers as stated above and regular periodic reviews will be conducted by the credit committee for monitoring the credit risk of the money lending business of the Group, the granting of aforesaid loans to Borrower A and Borrower B is justifiable.

Based on the above, we are of the view and concur with the view of the management of the Company that they have performed the relevant assessment procedure regarding the taking out and utilisation of Loan A and Loan B and the acquisition of Property.

As one of the principal activities of the Company is financial investment and trading, certain portion of Loan B was also used to invest into securities of Hong Kong Exchange and Tencent. We also study the performance of the Company's investment. The Company's investment return in equity securities (including (i) realised gain/(loss) on disposal of equity investments at fair value through profit or loss; (ii) realised gain/(loss)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
--

on disposal of available-for-sale investments; and (iii) fair value change of available-for-sale investments and through profit or loss investment) in prior years were as follows:

	For the year ended 31 March 2017 (HK\$)	For the year ended 31 March 2016 (HK\$)	For the year ended 31 March 2015 (HK\$)
Realised and unrealised gain/(loss)	<u>353 million</u>	<u>(1,094) million</u>	<u>26 million</u>

With a turnaround of the investment return of the Company in equity securities in the latest financial year, and given the strong financial performances of Company A and Company B as stated above, the Company is of the view that its investment in their securities will bring a long term benefit to the Group and the Shareholders as a whole.

Concerning the use of proceeds of Loan A and Loan B as stated above, we note that they are used for (i) acquisition of residential building in Hong Kong; (ii) securities investment in Hong Kong; and (iii) money lending.

In relation to acquisition of the Property, we note from the circular of the Company dated 31 March 2017 that the Property is a 3-storey garden house with a swimming pool on the ground floor with an internal staircase and a lift. Given that the Property is a luxurious house, we have study the latest statistics released by the Rating and Valuation Department of Hong Kong on its website (<http://www.rvd.gov.hk/>) in October 2017 regarding class E private domestic property of 160 square meters or above (which is the category the Property belongs to). We note that subsequent to the entering into of the agreement in respect of the Property in November 2016, both the rental index and the price index have risen, from 141.2 to 145.4 and from 290.9 to 307.9 in August 2017 respectively. These show a favourable environment of the private luxurious domestic property market in Hong Kong.

Regarding the securities investment through the use of proceeds from the aforesaid loan of the Group, we study the stock market in Hong Kong during recent period. According to the publication titled “HKEx Fact Book 2016” by the Stock Exchange (as revised on 4 July 2017), we notice that the total number of listed companies on the Stock Exchange and the total number of listed securities both rose, 790 and 1,349 respectively to 1,973 and 8,591 respectively, representing a compound annual growth rate (“CAGR”) of approximately 5.89% and 12.26% respectively. These increases imply that the Company is having more investment opportunities in the Hong Kong securities market given a wider range of investment choices. In addition to the diversified portfolio of securities to choose from, the market has also been generating return recently. This is signalled by the increase of the Hang Seng Index from 22,150 points on 3 January 2017 to 25,765 points on 30 June 2016, representing an increase of approximately 16.3% during the six months period, and further up to 28,597 on the Latest Practicable Date, representing an increase of approximately 29.1% during the nine months period. Also

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

taking into account that both securities of Company A and Company B experience rising market prices, we consider that the use of proceeds from Loan B for securities investment is justifiable.

As Loan B bears an annual interest rate of 11%, while the loan grant to Borrower B bears an annual interest rate of 12%, the Company can profit from the interest margin. Meanwhile, we know that Loan A was originally taken out mainly for the partial payment in relation to the Property. After utilising HK\$36.2 million of the proceeds received from the placing (which was completed on 8 May 2017) as partial payment for the property acquisition, the Company only utilised approximately HK\$166 million of Loan A for the settlement of the remainder of the consideration, resulting in a surplus of approximately HK\$34 million from Loan A. Shortly after Loan A was taken out, the Company was approached by Borrower A for granting of loan. Having taken into account, among other factors, that granting a loan to Borrower A would generate interest income to cover the interest expenses under Loan A as compared with idle cash as general working capital, the Company decided to grant the loan to Borrower A.

With reference to the latest unaudited management accounts of the Company as at 31 July 2017 provided by the Company, we note that the Group has current assets of approximately HK\$1,010.3 million (of which cash and bank balances account for approximately HK\$8.6 million) as at 31 July 2017. Given the above financial position of the Group, we consider that the Company may be required to raise additional funds for the repayment of the aforesaid loan which will fall due in the coming year.

(b) Business expansion of CWSI

The Group is in the course of expanding its securities investment business in CWSI, which may require capital injection from time to time. As discussed with the management of the Company, we understand that CWSI is licensed to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO. In particular, it is principally engaged in the provision of brokerage services and margin financing, the latter of which is capital intensive. Since 11 September 2017, the Company (through its wholly-owned subsidiary Instant Achieve Limited) has already increased the issued share capital of Central Wealth Securities Investment Limited by HK\$80,000,000 to expand its margin financing business. With a view to seize more business opportunities brought by the positive prospect of the margin financing market in Hong Kong, the Group intends to inject additional capital for the business development of Central Wealth Securities Investment Limited.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the Board Letter, as at the Latest Practicable Date, the Group's capital injection plan for CWSI within the coming year is as follows:

Date	Additional capital injection (HK\$)	Purpose of additional capital injection
By 31 March 2018	50 million	Approximately HK\$37 million will be used for expansion in margin financing business and approximately HK\$13 million will be used for working capital
By 30 September 2018	50 million	Approximately HK\$37 million will be used for expansion in margin financing business and approximately HK\$13 million will be used for working capital

Regarding the business of margin financing, we have studied the two reports titled "Financial Review of the Securities Industry for the year ended 31 December 2016" and "Yearly Financial Review of the Securities Industry" for the year of 2006 published by the Securities and Futures Commission. According to the aforesaid publications, the total number of active margin clients in Hong Kong increased from approximately 80,000 in 2006 to approximately 267,000 in 2016, representing a CAGR of approximately 12.8%; meanwhile, the amount receivable from margin clients in Hong Kong increased from approximately HK\$20.6 billion in 2006 to approximately HK\$171.6 billion in 2016, representing a CAGR of approximately 23.6%. These upward trends indicate a continuous growth of margin financing market in Hong Kong. Accordingly, we are of the view and concur with the view of the management of the Company that the prospect of the margin financing market in Hong Kong is positive.

In light of the above, we are of the opinion that (i) based on the current financial position of the Group, the Company may have funding needs for the repayment of its loans which will fall due in the coming year; (ii) the proceeds from the outstanding loans of the Company are used for property investment, money lending and financial investment, which are justifiable as analysed above; (iii) the Group may inject capital for the business development of CWSI, in particular the margin financing business which has positive market outlook; and (iv) although the Refreshed General Mandate, when utilised, might not be sufficient to fully support the above possible uses based on the current market capitalisation of the Company, the Refreshed General Mandate provides flexibility and additional options for the Company to capture any equity fund raising opportunities in a timely manner during the period from the date of grant of the Refreshed General Mandate to the expected date of the next annual general meeting of the Company, probably in June 2018 (which is around eight months from the Latest Practicable Date). After discussion with management of the Company, we noted that apart from equity financing under general mandate (if the proposed Refreshed General Mandate is granted), the Company will also consider other financing alternatives such as debt financing, rights issues or open offers or realisation of its equity investments (the unaudited figures of available-for-sale equity investments which is classified as non-current assets is

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

approximately HK\$1,074.4 million as at 31 July 2017), following a set of reasonable internal procedures and taking into account the various factors as detailed above. Therefore, we consider that the proposed grant of the Refreshed General Mandate is in the interest of the Company and the Shareholders as a whole.

3. Fund raising activities in the past twelve months

Set out below are the fund raising activities of the Company during the past twelve months immediately preceding the Latest Practicable Date as extracted from the section headed “Fund raising activities during the past twelve months” in the Letter from the Board:

Date of announcement	Event	Net Proceeds (approximately)	Intended use of proceeds (as announced)	Actual use of proceeds
22 December 2016	Placing of notes (completion for the placing of seven-year 4% coupon notes took place on 10 January 2017)	HK\$86,574,000	For money lending business	Utilised for money lending business of the Group (Note 2)
8 May 2017	Placing of new Shares under general mandate	HK\$198,300,000	(i) Approximately 50% for financial investments and trading; (ii) approximately 30% for money lending business; and (iii) approximately 20% for general working capital	(i) Approximately HK\$99.2 million for financial investments and trading (Note 1); (ii) approximately HK\$59.4 million for money lending business (Note 2); and (iii) approximately HK\$39.7 million for general working capital (Note 3)
7 August 2017	Share swap under general mandate	No net proceeds had been received (Note 4)	Set off against the price of the subscription of 470,000,000 shares in Future World Financial Holdings Limited	Set off as intended

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. Proceeds of HK\$99.2 million were spent for the purchase of securities of a Hong Kong listed company.
2. Proceeds of HK\$146 million were spent as follows:
 - (a) HK\$40 million was lent to borrower I as an unsecured loan from 10 January 2017 to 9 January 2018 at an interest rate of 10% per annum, which was repayable on demand and offered no collaterals;
 - (b) HK\$30 million was lent to borrower II as an unsecured loan from 11 January 2017 to 10 January 2018 at an interest rate of 10% per annum, which was repayable on demand and offered no collaterals;
 - (c) HK\$16.6 million was lent to borrower III as part of an unsecured loan of HK\$40 million from 25 January 2017 to 24 January 2018 at an interest rate of 7% per annum, which was repayable on demand and offered no collaterals;
 - (d) HK\$48 million was lent to borrower IV as an unsecured loan from 11 May 2017 to 10 November 2017 at an interest rate of 8% per annum, which was repayable on demand and offered no collaterals; and
 - (e) HK\$11.4 million was lent to borrower V as part of an unsecured loan of HK\$18.65 million from 11 May 2017 to 10 November 2017 at an interest rate of 8% per annum, which was repayable on demand and offered no collaterals.
3. Proceeds of HK\$39.7 million were spent as follows:
 - (a) HK\$3.5 million was spent for general administration expenses such as audit fee and rental expenses; and
 - (b) HK\$36.2 million was spent for partial payment of the acquisition of the property at No. 2 Lincoln Road, Kowloon.
4. The price of the subscription of 470,000,000 Shares payable by Future World Financial Holdings Limited had been set off against the price of the subscription of 470,000,000 shares in Future World Financial Holdings Limited payable by the Company. As such, no net proceeds had been received by the Company from the share swap.

4. Flexibility in financing

As disclosed in the Letter from the Board, when there are funding needs and/or attractive opportunities for business development, investments and acquisitions arising before the next annual general meeting of the Company, the Board will be able to respond to such needs and/or opportunities promptly by utilising Refreshed General Mandate.

As stated in the paragraph headed “2. Reasons for the proposed grant of the Refreshed General Mandate” above, the Group expects that there will be funding needs for the repayment of its current loans in the aggregate principal amount of approximately HK\$434 million which will fall due in the coming year. Moreover, the Group is in the course of expanding its securities investment business in CWSI, which may require capital injection from time to time.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As discussed in the foregoing, we consider that (i) the maximum number of the Shares that can be further allotted and issued under the Current Issue Mandate is 165,552,315 Shares, representing only approximately 1.30% of the total number of issued Shares as at the Latest Practicable Date; (ii) the proposed grant of the Refreshed General Mandate would provide the Company with the necessary flexibility to fulfil any possible funding needs for future business development and/or investment decisions should they arise; and (iii) according to the management of the Company, the next annual general meeting is expected to be held around June 2018, which is around eight months from the Latest Practicable Date, and the Refreshed General Mandate will allow the Company to have flexibility to seize appropriate fund raising opportunities during this period. In view of the financial flexibility available to the Company as discussed above, we are of the opinion that the proposed grant of the Refreshed General Mandate is in the interests of the Company and the Shareholders as a whole.

5. Other financing alternatives

We have enquired into the management of the Company and they confirmed that apart from equity financing under general mandate, they will also consider other financing alternatives such as debt financing (including but not limited to bank borrowing, issue of bonds or notes), rights issues or open offers or realisation of its equity investments (the unaudited figures of available-for-sale equity investments which is classified as non-current assets is approximately HK\$1,074.4 million as at 31 July 2017), taking into account the then financial position (such as gear ratio of the Group), capital structure of the Group, size of the investment and cost of funding (such as interest rate of the funding) at that moment of time. However, most of these aforesaid alternatives usually require long preparation time and may be subject to lengthy due diligence and negotiations, thus it may not allow the Company to grasp potential opportunities in a timely manner. If, for example, a transaction requires capital that can be fulfilled by the Refreshed General Mandate in a short period of time and equity financing under general mandate is better than other financing alternative as stated above, the Board may utilise the Refreshed General Mandate accordingly to complete the transaction in a timely manner. In addition, most of these alternatives will incur interest burden or higher costs such as underwriting commission and administrative cost for trading arrangements. In comparison, the Board considers that equity financing under general mandate is relatively more efficient and faster and avoids uncertainties in circumstances where specific mandate may not be obtained in a timely manner.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The management of the Company confirmed to us that they would exercise due and careful consideration when choosing the best financing method available to the Company. We understand from the management of the Company that in appraising an investment decision, the Board will take into consideration the reasons for and costs and benefits of the investment, such as the brief overview of the relevant target market of the investment, the expected return of the investment, the cost of the investments, etc. Please refer to the paragraph headed “2. Reasons for the proposed grant of the Refreshed General Mandate” for detailed internal procedures and criteria in arriving at an investment decision or a financing decision.

Based on the above, we are confirmed by the management of the Company that before resolving to utilised the Refreshed General Mandate among other financing alternatives, they will take into account various factors and criteria in relation to the Company (e.g. financing position and capital structure) and the investment opportunity (e.g. cost and benefit, targeted completion date), where we consider such factors and criteria are justifiable. Also considering that the proposed grant of the Refreshed General Mandate will provide the Company an additional alternative and it is reasonable for the Company to have the flexibility in deciding the financing methods for its future business development, we are of the view and concur with the view of the Directors that the proposed grant of the Refreshed General Mandate is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6. Potential dilution effect to the existing public Shareholders

To the best of the knowledge, belief and information of the Directors, the table below sets out, for illustrative and reference purpose, the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon full utilisation of the Refreshed General Mandate (assuming no other Shares are issued and/or repurchased by the Company and no share options of the Company are exercised from the Latest Practicable Date up to and including the date of the SGM):

Shareholders	As at the Latest Practicable Date		Upon full utilisation of the Refreshed General Mandate	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Directors				
Chen Xiaodong	4,180,246	0.03	4,180,246	0.03
Lam Hay Yin	13,176	0.01	13,176	0.01
Lee Chau Man Ada	28,261,150	0.22	28,261,150	0.19
Yu Qingrui	5,563,610	0.04	5,563,610	0.04
Mai Qijian	179,533	0.01	179,533	0.01
Other Shareholders				
Wei Zhenyu	2,150,000,000	16.91	2,150,000,000	14.09
Chen Xiangru	1,853,992,000	14.58	1,853,992,000	12.15
Future World Financial Holdings Limited and its subsidiaries	1,470,621,316	11.56	1,470,621,316	9.64
Dragon Huge Development Limited	1,000,000,000	7.86	1,000,000,000	6.55
Public Shareholders	6,203,839,430	48.79	6,203,839,430	40.65
New Shares which may be issued under the Refreshed General Mandate	—	—	2,543,330,092	16.67
Total (Note)	<u>12,716,650,461</u>	<u>100.00</u>	<u>15,259,980,553</u>	<u>100.00</u>

Note: Please note that the percentages may not add up to 100% due to rounding.

As stated in the table above, the shareholding of the existing public Shareholders would be diluted from approximately 48.79% to approximately 40.65% upon full utilisation of the Refreshed General Mandate, representing a potential maximum dilution in public shareholding by approximately 16.67%. If the 1,981,481,481 Shares issued subsequent to the 2017 AGM and the number of 10,735,168,980 Shares then in issue at the 2017 AGM are also taken into consideration, the shareholding of the existing public Shareholders would be diluted from approximately 57.79% as at the 2017 AGM to approximately 40.65% upon full utilisation of the Refreshed General Mandate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having taken into accounts that (i) the Group has funding needs for the repayment of its loans which will fall due in the coming year; (ii) the Company may inject capital in CWSI for further development of its margin financing business; (iii) the Refreshed General Mandate provides flexibility for the Group to fulfil any possible funding needs should they arise; and (iv) the management of the Company confirmed that they would exercise due and careful consideration when choosing the best financing method available to the Company with reasonable criteria and procedure as stated in the paragraphs headed “2. Reasons for the proposed grant of the Refreshed General Mandate” and “5. Other financing alternative” respectively above, we consider that the potential dilution effect to the existing public Shareholders is justifiable.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that the proposed grant of the Refreshed General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the SGM to approve the proposed grant of the Refreshed General Mandate.

Yours faithfully,
For and on behalf of
Nuada Limited
Kevin Wong
Vice President

Mr. Kevin Wong is a person licensed to carry out type 1 (trading in securities) regulated activity and type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 13 years of experience in corporate finance industry.

Set out below are the biographical details and other information of the Director proposed to be re-elected as an executive Director at the SGM.

The biographical details of Ms. Lee are set out below:

Ms. Lee, aged 40, was appointed as an executive Director on 18 September 2017. She holds a bachelor degree of system engineering and engineering management from Chinese University of Hong Kong. She also holds a master degree of practicing accounting from Monash University, Australia and is a member of CPA (Certified Practising Accountants) Australia. She has more than eight years of experience in financial and accounting areas.

Ms. Lee has not held other directorships in the last three years in any other public companies the securities of which are listed on any securities markets in Hong Kong or overseas. Ms. Lee is the aunt of Mr. Chen Xiaodong, the Chairman of the Board and an executive Director. Save as disclosed above, Ms. Lee does not have other relationships with the Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Ms. Lee has not been appointed for any fixed term but is subject to retirement and re-election in accordance with the Bye-laws. Pursuant to the service agreement entered into between the Company and Ms. Lee, Ms. Lee is entitled to receive remuneration package of HK\$960,000 per year plus a discretionary bonus as may be determined by the Board with reference to her performance. The foregoing emolument of Ms. Lee is recommended by the Company's remuneration committee and approved by the Board with reference to her qualifications, experience and responsibilities with the Company.

As far as the Board is aware, as at the Latest Practicable Date, Ms. Lee has an interest of 28,261,150 Shares, representing approximately 0.22% of the issued share capital of the Company. Save as disclosed above, Ms. Lee does not have or is not deemed to have any interests or short positions in the Shares or underlying Shares pursuant to Part XV of the SFO.

As confirmed by Ms. Lee and as far as the Board is aware, Ms. Lee has no information to be disclosed pursuant to any of the requirements under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there are no other matters relating to Ms. Lee's re-appointment that need to be brought to the attention of the Shareholders.



China Soft Power Technology Holdings Limited

中國軟實力科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 139)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a special general meeting (the “SGM”) of China Soft Power Technology Holdings Limited (the “Company”) will be held at Ming Room II, Level 4, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Wednesday, 29 November 2017 at 9:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions:

ORDINARY RESOLUTIONS

1. **“THAT**, to the extent not already exercised, the general mandate to allot and issue shares of the Company given to the directors of the Company (the “Directors”) at the annual general meeting of the Company held on 10 August 2017 be and is hereby revoked and replaced as follows:
 - (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with authorised and unissued shares in the capital of the Company 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) above shall authorise the Directors to make or grant offers, agreements and options during the Relevant Period which would or might require the exercise of such powers or after the end of the Relevant Period;
 - (c) the total number of shares of the Company allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to:
 - (i) a Rights Issue (as defined below);
 - (ii) the exercise of the outstanding conversion rights attaching to the convertible securities issued by the Company, which are convertible into shares of the Company;
 - (iii) the exercise of options under share option scheme(s) of the Company; and

NOTICE OF SGM

(iv) any scrip dividend scheme or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company,

shall not exceed 20% of the total number of issued shares of the Company as at the date of the passing of this resolution and the said approval shall be limited accordingly; and

(d) for the purposes 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 revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company’s shareholders in general meetings; and
- (iii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and

“**Rights Issue**” means an offer of shares open for a period fixed by the Directors to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (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 any relevant jurisdiction or the requirements of any recognised regulatory body or any stock exchange).”

2. “**THAT** the re-election of Ms. Lee Chau Man Ada as an executive Director be and is hereby approved, and the board of Directors be and is hereby authorised to fix her remuneration.”

By order of the Board
China Soft Power Technology Holdings Limited
Chen Xiaodong
Chairman

Hong Kong, 9 November 2017

As at the date hereof, Mr. Chen Xiaodong, Mr. Yu Qingrui, Ms. Lam Hay Yin and Ms. Lee Chau Man Ada are the executive Directors and Mr. Kwok Chi Kwong, Mr. Chen Youchun and Mr. Mai Qijian are the independent non-executive Directors.

NOTICE OF SGM

Notes:

- (a) Any member of the Company entitled to attend and vote at the SGM is entitled to appoint a proxy to attend and vote instead of him/her/it. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her/it to attend and vote on his/her/its behalf. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
- (b) In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM (i.e. not later than 9:30 a.m. on Monday, 27 November 2017) or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the SGM or any adjournment thereof and in such event, the form of proxy shall be deemed to be revoked.
- (c) For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Friday, 24 November 2017 to Wednesday, 29 November 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the SGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 23 November 2017.
- (d) References to time and dates in this Notice are to Hong Kong time and dates.