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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)

**CONTINUING CONNECTED TRANSACTIONS:
BROKERAGE SERVICES
AND MARGIN FINANCING AGREEMENT**

On 17 August 2018 (after trading hours), CWSI entered into the Agreement with Mr. Xu, an executive Director and the chief executive officer of the Company. Mr. Xu is a connected person of the Company under the Listing Rules. The Continuing Connected Transactions therefore constitute continuing connected transactions of the Company and are subject to the requirements under Chapter 14A of the Listing Rules.

As the proposed Annual Caps are less than 5% under all of the applicable Percentage Ratios, the Continuing Connected Transactions are therefore subject to the reporting, announcement and annual review requirements but are exempt from the circular and shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

I. INTRODUCTION

Since May 2017, CWSI has been providing the Brokerage Services and the Margin Financing to Mr. Xu from time to time.

On 17 August 2018 (after trading hours), CWSI entered into the Agreement with Mr. Xu in relation to the provision of the Brokerage Services and the Margin Financing by CWSI to Mr. Xu on a non-exclusive basis.

II. THE AGREEMENT

The principal terms of the Agreement are set out below:

Date

17 August 2018 (after trading hours)

Parties

1. CWSI, an indirect wholly-owned subsidiary of the Company; and
2. Mr. Xu, an executive Director and the chief executive officer of the Company.

Provision of Brokerage Services and Margin Financing

Pursuant to the Agreement, CWSI agreed to provide and Mr. Xu agreed to use the Brokerage Services and the Margin Financing during the Term on a non-exclusive basis. In respect of the provision of the Brokerage Services and the Margin Financing, Mr. Xu will pay the Brokerage Fees and interests on the Margin Financing to CWSI, respectively.

During the Term, Mr. Xu may use the Brokerage Services and the Margin Financing to be provided by CWSI or he may engage other service providers to provide such services and/or financing. The provision of the Brokerage Services and the Margin Financing shall be subject to the terms and conditions of the Client Agreement.

Pricing Terms and Policies

The Brokerage Fees shall be charged at the rate of 0.15% on the gross trade amount. The Brokerage Fees and the flat brokerage commission rate may be revised from time to time in accordance with the Client Agreement, with reference to the prevailing commission and fees charged by other brokers and securities companies for similar brokerage services in the market and the fees charged by CWSI on independent clients for the same brokerage services.

In respect of the Margin Financing, the maximum outstanding amount of margin financing at all times which may be advanced by CWSI to Mr. Xu shall be determined taking into account the maximum market value of listed securities maintained in the securities account of Mr. Xu with CWSI and in accordance with the credit policy of CWSI from time to time. The facility under the Margin Financing is repayable on demand and may be varied or terminated in the absolute discretion of CWSI.

Having taken into account the prevailing market interest rate in Hong Kong, the interest rates offered by CWSI to independent clients for comparable engagements and the historical amount of the Margin Financing advanced to Mr. Xu by CWSI, Mr. Xu shall pay interest on all overdue balances in respect of the Margin Financing at an interest rate ranging from prime rate plus 4% to 7% per annum (approximately 9.25% to 12.25% per annum) to be accrued on a daily basis, depending on whether the client has the overdue amount within or beyond the marginable value. Such interest shall be repaid by Mr. Xu monthly or on such other terms as CWSI may notify Mr. Xu from time to time.

Proposed Annual Caps

The proposed Annual Caps for (i) the Brokerage Fees, (ii) the maximum outstanding amount of the Margin Financing; and (iii) the maximum interest amount of the Margin Financing for each of the period commencing from the date of the Agreement to 31 December 2018 and the two years ending 31 December 2020 are as follows:

	From 17 August 2018 to 31 December 2018 HK\$	For the year ending 31 December 2019 HK\$	For the year ending 31 December 2020 HK\$
Brokerage Fees	500,000	1,000,000	1,000,000
Maximum outstanding amount of the Margin Financing	40,000,000	40,000,000	40,000,000
Maximum interest amount of the Margin Financing	2,000,000	4,000,000	4,000,000

The Annual Caps have been determined after arm's length negotiations between the parties with reference to the following factors:

(i) Brokerage Fees

The Annual Cap is determined having taken into account (a) the historical total amount of the Brokerage Fees of approximately HK\$65,000 paid by Mr. Xu to CWSI during the financial year ending 31 December 2018; and (b) the anticipated future need for trading of securities by Mr. Xu.

(ii) Maximum outstanding amount of the Margin Financing

The Annual Cap is determined having taken into account (a) the historical maximum amount of the Margin Financing of approximately HK\$35,425,000 advanced by CWSI to Mr. Xu during the financial year ending 31 December 2018; and (b) Mr. Xu's perception on the securities market and his investment plans and strategies with a buffer to allow higher flexibility for Mr. Xu to conduct future investment and trading activities.

(iii) Maximum interest amount of the Margin Financing

The Annual Cap is determined having taken into account (a) the historical total interest amount of the Margin Financing of approximately HK\$320,000 paid by Mr. Xu to CWSI during the financial year ending 31 December 2018; and (b) the current interest rate ranging from prime rate plus 4% to 7% per annum (approximately 9.25% to 12.25% per annum) offered to Mr. Xu by CWSI.

Internal Control Measures

The Company will establish the following internal control measures to govern the Agreement and the Continuing Connected Transactions:

- (i) In order to ensure that the proposed Annual Caps will not be exceeded, designated staff in CWSI will monitor and record the trading volume of the transactions in the securities account of Mr. Xu maintained with CWSI and the amount of the Brokerage Fees, and the outstanding amount of the Margin Financing and the related interest amount, and report the status to the management of the Company regularly.
- (ii) The management of the Company will discuss with the independent non-executive Directors if there is any potential compliance issue during the performance of the Agreement and the Continuing Connected Transactions and where necessary, seek advice from professional parties such as legal advisers and/or auditors.
- (iii) The independent non-executive Directors will perform annual review pursuant to Rule 14A.55 of the Listing Rules on whether the Continuing Connected Transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (iv) The Company's auditors will confirm pursuant to Rule 14A.56 of the Listing Rules on whether the Continuing Connected Transactions (a) have been approved by the Board; (b) were, in all material respects, in accordance with the pricing policies of the Group; (c) were entered into, in all material respects, in accordance with the Agreement; and (d) have exceeded the proposed Annual Caps.

Reasons for and benefits of the entering into of the Agreement

The Group is principally engaged in securities and futures dealing business, financial investments, property investments and money lending business.

CWSI is a corporation licensed to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Cap. 571).

The provision of the Brokerage Services and the Margin Financing is one of the principal activities of the Group. CWSI has been providing the Brokerage Services and the Margin Financing to Mr. Xu since May 2017 when he was among one of the ordinary clients of the Group. As Mr. Xu wishes to continue to use the Brokerage Services and the Margin Financing during the Term, and having considered that (i) the provision of the Brokerage Services and the Margin Financing by CWSI will generate additional income and interest to the Group and (ii) the Brokerage Fees and the interest rates of the Margin Financing are no less favourable to the Group than those charged or offered to the other clients of CWSI who are Independent Third Parties, the Board believes that it is for the benefit of the Company to enter into the Agreement.

The Directors (including the independent non-executive Directors but excluding Mr. Xu who did not give an opinion) are of the view that the terms of the Agreement (including the proposed Annual Caps) have been determined after arm's length negotiations between the parties thereto and are fair and reasonable, and that the Agreement is on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interest of the Company and its Shareholders as a whole.

III. LISTING RULES IMPLICATIONS

Mr. Xu, being an executive Director and the chief executive officer of the Company, is a connected person of the Company under the Listing Rules.

The Continuing Connected Transactions therefore constitute continuing connected transactions of the Company and are subject to the requirements under Chapter 14A of the Listing Rules.

As the proposed Annual Caps are less than 5% under all of the applicable Percentage Ratios, the Continuing Connected Transactions are therefore subject to the reporting, announcement and annual review requirements but are exempt from the circular and shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

At the Board meeting held to approve the Agreement, Mr. Xu had a material interest in the Continuing Connected Transactions and abstained from voting on the relevant Board resolutions. Save as disclosed, none of the other Directors has any material interest in the Continuing Connected Transactions and is required to abstain from voting on the Board resolutions approving the Agreement and the Continuing Connected Transactions.

IV. DEFINITIONS

Unless the context otherwise requires, the following expressions in this announcement shall have the following meanings:

“Agreement”	the Brokerage Services and Margin Financing Agreement dated 17 August 2018 entered into between CWSI and Mr. Xu in relation to the provision of the Brokerage Services and the Margin Financing by CWSI to Mr. Xu on a non-exclusive basis
“Annual Cap(s)”	the maximum annual amounts of the Continuing Connected Transactions to be transacted for each of the period commencing from the date of the Agreement to 31 December 2018 and the two years ending 31 December 2020
“Board”	board of Directors
“Brokerage Fees”	brokerage fees and other administration fees for the Brokerage Services

“Brokerage Services”	brokerage services for trading of securities, futures and options contracts in Hong Kong and/or any other overseas exchanges
“Client Agreement”	the standard client agreement of CWSI from time to time
“Company”	China Soft Power Technology Holdings Limited, a company incorporated in Bermuda with limited liability, whose Shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the Agreement
“CWSI”	Central Wealth Securities Investment Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company
“Directors”	director(s) of the Company
“Group”	the Company and its subsidiaries
“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 Third Party(ies)”	party(ies) who and whose ultimate beneficial owner(s) are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, third parties independent of the Company and its connected persons
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Margin Financing”	securities margin financing
“Mr. Xu”	Xu Ke, an executive Director and the chief executive officer of the Company
“Percentage Ratios”	percentage ratios under Rule 14.07 of the Listing Rules
“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
“Term”	a term commencing from the date of the Agreement and ending on 31 December 2020
“%”	per cent.

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

Hong Kong, 17 August 2018

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:

Mr. Chen Xiaodong (*Chairman*)
Mr. Xu Ke (*Chief Executive Officer*)
Mr. Yu Qingrui
Ms. Lam Hay Yin
Ms. Lee Chau Man Ada

Independent Non-executive Directors:

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