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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)

DISCLOSEABLE TRANSACTION PROPOSED ACQUISITION OF THE TARGET COMPANY

On 7 September 2017 (after trading hours), the Group, through the Purchaser, conditionally agreed to acquire from the Vendor the Sale Share at the Consideration, subject to fulfillment of the Conditions Precedent, by entering into the Agreement in respect of the Proposed Acquisition.

As certain applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Proposed Acquisition exceed 5% but are less than 25%, the Proposed Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

As Completion is subject to the fulfilment or waiver of the Conditions Precedent, the Proposed Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 7 September 2017 (after trading hours), the Group, through the Purchaser, conditionally agreed to acquire from the Vendor the Sale Share, subject to the fulfillment of the Conditions Precedent, by entering into the Agreement in respect of the Proposed Acquisition, the principal terms and conditions of which are set out below.

THE AGREEMENT

Date: 7 September 2017 (after trading hours)

Parties: (1) the Vendor; and
(2) the Purchaser.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject matter to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire from the Vendor the Sale Share comprising one (1) share in the share capital of the Target Company.

Consideration

The Consideration for the Proposed Acquisition is HK\$150,000,000, which shall be settled on Completion in the following manner:

- (a) as to HK\$48,000,000 by cash; and
- (b) as to HK\$102,000,000 by way of allotment and issue of the Consideration Shares by the Company to the Vendor (or such designated party as the Vendor may direct) at the Issue Price.

The Consideration was determined after arm's length negotiations between the parties to the Agreement with reference to the difference between (i) the valuation of the Property of HK\$330,000,000 as at 14 July 2017 conducted by an independent valuer and (ii) the mortgage on the Property amounting to HK\$180,000,000 as at the date of this announcement.

The Board considers the Consideration to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

The Proposed Acquisition is subject to and conditional upon the satisfaction or the waiver of the following conditions (where appropriate):

- (a) the Purchaser being reasonably satisfied with the results of the due diligence review, including but not limited to the review of the legal, financial and business position and prospects of the Target Company;

- (b) all necessary licence, consent, approval, authorisation, permission, waiver, order, exemption, qualification, registration, certificate, authority or other approval required to be obtained on the part of the Purchaser, the Vendor and the Target Company in respect of the Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect;
- (c) the Stock Exchange granting or agreeing to grant the approval for the listing of and permission to deal in the Consideration Shares and such approval not having been revoked;
- (d) the warranties provided by the Vendor under the Agreement remaining true, accurate and complete; and
- (e) the Purchaser being reasonably satisfied that there has not been any material adverse change or effect in respect of the Target Company since the date of the Agreement.

In the event that any of the Conditions Precedent are not fulfilled (or waived as the case may be), in each case, on or before the Long Stop Date, the Agreement shall terminate and be null and void and of no further effect and neither the Vendor nor the Purchaser shall have any liability to any other party, save for any antecedent breaches.

Completion

Completion shall take place at the office of the Company on the Completion Date, or at such other place and time as shall be mutually agreed in writing by the Purchaser and the Vendor.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated with the Group.

CONSIDERATION SHARES

The Consideration Shares will be allotted and issued at the Issue Price, credited as fully paid on the Completion Date. The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares then in issue.

The Issue Price represents:

- (i) a discount of 15% to the closing price of HK\$0.120 per Share as quoted on the Stock Exchange on the date of the Agreement;
- (ii) a discount of approximately 19.43% to the average of the closing price of HK\$0.1266 per Share as quoted on the Stock Exchange for the five trading days immediately prior to the date of the Agreement; and
- (iii) a discount of approximately 13.63% to the average of the closing price of HK\$0.1181 per Share as quoted on the Stock Exchange for the ten trading days immediately prior to the date of the Agreement.

The Issue Price was determined after arm's length negotiations between the parties to the Agreement taking into account the prevailing market price of the Shares on the Stock Exchange. The Board considers that the Issue Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

The Consideration Shares represent (i) approximately 9.32% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 8.52% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The nominal value of the Consideration Shares will be HK\$10,000,000.

General Mandate

The Consideration Shares will be allotted and issued under the General Mandate and therefore the Proposed Acquisition is not subject to the Shareholders' approval. As at the date of this announcement, no Shares have been allotted and issued under the General Mandate.

Application for listing

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon the Completion and the allotment and issue of the Consideration Shares (assuming that there is no other change in the shareholding structure of the Company):

Shareholders	(i) As at the date of this announcement		(ii) Immediately upon the Completion	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Wei Zhenyu	2,150,000,000	20.03	2,150,000,000	18.32
Chen Xiangru	1,853,992,000	17.27	1,853,992,000	15.80
The Vendor	0	0.00	1,000,000,000	8.52
Other Shareholders	<u>6,731,176,980</u>	<u>62.70</u>	<u>6,731,176,980</u>	<u>57.36</u>
Total	<u>10,735,168,980</u>	<u>100.00</u>	<u>11,735,168,980</u>	<u>100.00</u>

INFORMATION ABOUT THE TARGET COMPANY

The Target Company is a company incorporated in the British Virgin Islands with limited liability on 7 June 2005. Since its incorporation, the Target Company has not carried on any business except for the acquisition of the Property, and it is intended that the Target Company will be principally engaged in investment holding.

The Target Company is currently holding the Property located at No. 1, Lincoln Road, Kowloon, Hong Kong. The Property is a house with a saleable area of approximately 6,892 sq. ft. with a balcony of approximately 38 sq. ft. The Property comprises a 3-storey terrace house plus roof erected on a parcel of land with a registered site area of approximately 10,656 sq. ft. completed in 2008 and renovated in 2014. The Property is currently used for domestic purpose and is not subject to any tenancy as at the date of this announcement. As at 31 August 2017, the book value of the Property was HK\$360,000,000.

Financial Information of the Target Company

The following table sets out the financial information of the Target Company:

	For the year ended 31 December 2015 (Unaudited) HK\$	For the year ended 31 December 2016 (Unaudited) HK\$	For the eight months ended 31 August 2017 (Unaudited) HK\$
Net profit/(loss) before taxation	(618,058)	(957,047)	155,837,923
Net profit/(loss) after taxation	(618,058)	(957,047)	155,837,923

As at 31 December 2015 and 2016, the unaudited net asset value of the Target Company was HK\$39,767,419 and HK\$38,810,372, respectively.

INFORMATION ABOUT THE VENDOR

The Vendor is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding.

INFORMATION ABOUT THE PURCHASER AND THE GROUP

The Purchaser is a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding.

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.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

Reference is made to the announcements of the Company dated 14 July 2017 and 10 August 2017.

As previously announced, the Directors have been proactive in seeking appropriate investment opportunities to increase the return to the Shareholders. It is also stated in the annual report 2016–2017 of the Company published on 11 July 2017 that the Group's plan is to monitor the property market in Hong Kong to seize investment opportunities in this segment.

Following the lapse of the sale and purchase agreement dated 14 July 2017 in relation to the proposed acquisition of the Vendor as previously announced, the parties to the abovementioned agreement negotiated the signing of the Agreement for the sale and purchase of the Target Company instead. This will provide more certainty for Completion since completion for the acquisition of the Target Company by the Vendor had taken place on 17 August 2017. In addition, the Vendor now accepts the allotment and issue of the Consideration Shares as partial payment of the Consideration. This will significantly minimise the cash outlay of the Group for the Proposed Acquisition.

In light of the change in the acquisition structure and having considered the valuation of the Property and current property market condition, the Board still considers that the Proposed Acquisition and the acquisition of the Property represent and remain an appropriate investment opportunity. The Board believes that the Proposed Acquisition enables the Group to cope with and facilitate the expansion plan of the Group, and broaden its fixed asset base with potential capital appreciation in view of the proposed acquisition of the Property.

The Board considers the terms of the Proposed Acquisition and the Agreement are reasonable and fair and in the interests of the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Proposed Acquisition exceed 5% but are less than 25%, the Proposed Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

As Completion is subject to the fulfilment or waiver of the Conditions Precedent, the Proposed Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in securities of the Company.

DEFINITION

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

“Agreement”	sale and purchase agreement dated 7 September 2017 entered into between the Vendor and the Purchaser in relation to the Proposed Acquisition
“Business Day(s)”	day(s) on which banks are generally open for business in Hong Kong (other than a Saturday, Sunday or public holiday)
“Company”	China Soft Power Technology Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 139)

“Completion”	completion of the Proposed Acquisition in accordance with the Agreement
“Completion Date”	date falling within five (5) Business Days after fulfillment (or waiver, as the case may be) of the Conditions Precedent and the date on which the Completion takes place
“Conditions Precedent”	conditions for Completion set forth in the paragraph headed “Conditions Precedent” of this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	HK\$150,000,000, being the aggregate consideration for the Proposed Acquisition under the Agreement
“Consideration Shares”	1,000,000,000 Shares to be allotted and issued by the Company under the General Mandate to the Vendor (or such designated party as the Vendor may direct) at the Issue Price pursuant to the Agreement
“Director(s)”	director(s) of the Company
“General Mandate”	general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 10 August 2017 to allot, issue and deal with up to 2,147,033,796 new Shares, being 20% of the then issued Shares as at the said annual general meeting
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Price”	HK\$0.102 per Consideration Share
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	6 October 2017 or such later date as the Vendor and the Purchaser may from time to time agree in writing
“percentage ratio(s)”	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules
“Property”	property owned by the Target Company and located at No. 1, Lincoln Road, Kowloon, Hong Kong

“Proposed Acquisition”	proposed acquisition of the Sale Share by the Purchaser from the Vendor on and subject to the terms and conditions of the Agreement and the performance of the transactions contemplated thereunder
“Purchaser”	Winsey Enterprises Limited, a company incorporated in the British Virgins Islands with limited liability and a wholly-owned subsidiary of the Company
“Sale Share”	one (1) share in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company as at the date of this announcement
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Goodview Assets Limited, a company incorporated in the British Virgin Islands with limited ability
“Vendor”	Dragon Huge Development Limited, a company incorporated in Hong Kong with limited liability
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“sq. ft.”	square feet
“%”	per cent.

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

Hong Kong, 7 September 2017

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

Executive Directors:

Mr. Chen Xiaodong (*Chairman*)
Mr. Yu Qingrui
Ms. Lam Hay Yin

Independent non-executive Directors:

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