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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 AND CONNECTED TRANSACTION

DISPOSAL OF ENTIRE INTEREST IN CSPT HOLDINGS LIMITED

On 16 June 2016, the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement pursuant to which the Vendor has conditionally agreed to sell and assign, and the Purchaser has conditionally agreed to purchase the Sale Share and accept the assignment of the Sale Loan at the Transaction Consideration of US\$10.5 million (equivalent to approximately HK\$81.9 million), which will be satisfied by way of cash or cheque upon Completion. The main assets of the Target Group are (i) the unaudited consolidated cash and bank balances of the Target Group of approximately HK\$78,088,000 as at 31 May 2016; and (ii) the Cooperative Agreement entered into between Sufu Technology and China Youth Concern Committee.

Completion shall take place on or before the Long Stop Date on which all the conditions precedent of the Disposal having been satisfied. If the conditions precedent have not been fulfilled (or waived) on the Long Stop Date or such later date as the parties to the Agreement may agree in writing, the Agreement shall cease and determine. Following Completion, the Target Group will cease to be subsidiaries of the Company.

As the Purchaser is a wholly-owned company of Ms. He Xin, the step-mother of Mr. Wei (an executive Director and the Chairman of the Company), and the Purchaser is an associate of Mr. Wei and hence a connected person of the Company under the Listing Rules. The Disposal therefore constitutes a discloseable and connected transaction for the Company under Chapter 14A of the Listing Rules. As one of the applicable percentage ratios in respect of the Disposal are more than 5% but less than 25%, the Disposal is, in addition to the reporting and announcement requirements, subject to the independent shareholders' approval under Chapter 14A of the Listing Rules.

A circular containing, among other things, (i) details of the Agreement and the Disposal contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Agreement and the Disposal contemplated thereunder; (iii) a letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the SGM, will be despatched to the Shareholders on or before 8 July 2016.

Completion is subject to the satisfaction of certain conditions precedent in the Agreement. There is no assurance that the Disposal will proceed. Shareholders and investors of the Company are advised to exercise caution in dealing in the shares of the Company.

THE AGREEMENT

Date: 16 June 2016

Parties:

- (1) The Vendor: Hoshing Limited, a wholly-owned subsidiary of the Company.
- (2) The Purchaser: D9ING International Limited, a wholly-owned company of Ms. He Xin, the step-mother of Mr. Wei (an executive Director and the Chairman of the Company) and hence a connected person of the Company under the Listing Rules.

ASSETS TO BE DISPOSED OF

Pursuant to the terms and conditions of the Agreement, the Vendor has conditionally agreed to sell and assign, and the Purchaser has conditionally agreed to purchase the Sale Share and accept the assignment of the Sale Loan. The Sale Share represents the entire issued share capital of the Target. The Sale Loan represents the entire unsecured non-interest bearing shareholder's loan owing from the Target Group to the Company as at the date of this announcement.

CONSIDERATION

The Transaction Consideration for the Disposal is US\$10.5 million (equivalent to approximately HK\$81.9 million) and shall be paid in cash or cheque by the Purchaser to the Vendor upon Completion.

The Transaction Consideration was determined between the Purchaser and the Vendor after arm's length negotiations with reference to the unaudited consolidated cash and bank balances of the Target Group of approximately HK\$78,088,000 as at 31 May 2016 and the Cooperative Agreement entered into between Sufu Technology and China Youth Concern Committee.

CONDITIONS PRECEDENT

Completion is conditional upon the fulfillment of the following conditions:

- (a) all necessary consents and approvals required to be obtained on the part of the Vendor in respect of this Agreement and the transactions contemplated having been obtained and remaining in full force and effect, including but not limited to the Shareholders (or the Independent Shareholders as the case may be) having passed the relevant resolution(s), in accordance with all applicable requirements under the Listing Rules;
- (b) all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of this Agreement and the transactions contemplated having been obtained and remaining in full force and effect; and
- (c) the Purchaser's satisfactory completion of a due diligence investigation on the Target Group.

If the conditions set out above have not been satisfied (or, as appropriate, waived) on or before 5:00 p.m. on the Long Stop Date, or such other date as the Purchaser and the Vendor may agree in writing, the Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other hereunder save for any antecedent breaches of the terms hereof.

COMPLETION

Completion shall take place on or before the Long Stop Date on which all the conditions precedent of the Disposal having been satisfied. If the conditions precedent have not been fulfilled (or waived) on the Long Stop Date or such later date as the parties to the Agreement may agree in writing, the Agreement shall cease and determine. Following Completion, the Target Group will cease to be subsidiaries of the Company.

INFORMATION ON THE TARGET GROUP

The Target is an investment company incorporated in the British Virgin Islands on 7 December 2015. The Target Group comprises the Target and its subsidiaries, namely: (i) China Soft Power Technology Limited, a company incorporated on 25 June 2015 in Hong Kong with limited liability and a wholly-owned subsidiary of the Target; (ii) Shanghai Zhujun Information Technology Service Co., Ltd. (上海著鈞信息技術服務有限公司), a limited liability company incorporated on 29 July 2015 in the PRC and an indirect wholly-owned subsidiary of the Target; and (iii) Shanghai Sufu Technology Development Co., Ltd. (上海蘇芙科技發展有限公司), a limited liability company incorporated on 29 July 2015 in the PRC and an indirect wholly-owned subsidiary of the Target.

The main assets of the Target Group are (i) the unaudited consolidated cash and bank balances of the Target Group of approximately HK\$78,088,000 as at 31 May 2016; and (ii) the Cooperative Agreement entered into between Sufu Technology and China Youth Concern Committee.

The parties to the Cooperative Agreement agreed to consolidate their respective resources to develop, manufacture and issue the Growth Information Card to children at or under the age of 12 in the PRC, as well as implementing the Project.

Pursuant to the Cooperative Agreement, China Youth Concern Committee shall grant the sole and exclusive licence to Sufu Technology in relation to the marketing of the Growth Information Card and Sufu Technology shall be solely responsible for the production and implementation of Growth Information Card, as well as providing added-value services. Sufu Technology will pay a sum of RMB1,500,000 as working fee to China Youth Concern Committee each year during the term of the Cooperative Agreement.

Set out below is a summary of the unaudited consolidated net loss of the Target Group for the period from 25 June 2015 to 31 March 2016 and for the two months ended 31 May 2016 respectively as follows (for illustration purposes only):

	For the period from 25 June 2015 to 31 March 2016 HK\$'000	For the 2 months ended 31 May 2016 HK\$'000
Net loss before taxation and extraordinary items	1,307	11
Net loss after taxation and extraordinary items	1,307	11

As at 31 May 2016, the unaudited consolidated net deficiency in assets of the Target Group was approximately HK\$850,000.

INFORMATION REGARDING THE PURCHASER AND THE GROUP

The principal business activity of the Purchaser is investment holding. It is a wholly-owned company of Ms. He Xin, the step-mother of Mr. Wei (an executive Director and the Chairman of the Company).

The Group is principally engaged in trading and distribution of electronic and accessory products and other merchandise, financial investments and trading, money lending business and the research and development of integrated circuit technology.

FINANCIAL IMPACT ON THE COMPANY

It is expected that the Group will record a gain on the Disposal in the amount of approximately HK\$4.6 million, which is calculated based on (i) the Transaction Consideration for the Disposal; (ii) the carrying value of the entire amount of the unsecured and non-interest bearing shareholder's loan owing from the Target Group to the Company as at the date of Completion, the amount of which was approximately HK\$77,759,000 as at the date of this announcement; and (iii) the unaudited consolidated net deficiency of assets of the Target Group of approximately HK\$850,000 as at 31 May 2016; and (iv) the estimated transaction costs in relation to the Disposal.

The net proceeds after the transaction costs from the Disposal will be used by the Group as its working capital.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Given the current uncertain investment environment and the stagnant investment market, the Directors believed that reducing the exposure during these difficult times would be desirable. Also it would also be beneficial to the Company and its shareholders to take a sizable profit in such a short period of time.

The Directors believe that the terms of the Disposal are on normal commercial terms which are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement have been negotiated on an arm's length basis and on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As the Purchaser is a wholly-owned company of Ms. He Xin, the step-mother of Mr. Wei (an executive Director and the Chairman of the Company), and the Purchaser is an associate of Mr. Wei and hence a connected person of the Company under the Listing Rules. The Disposal therefore constitutes a discloseable and connected transaction for the Company under Chapter 14A of the Listing Rules. As one of the applicable percentage ratios in respect of the Disposal are more than 5% but less than 25%, the Disposal is, in addition to the reporting and announcement requirements, subject to the independent shareholders' approval under Chapter 14A of the Listing Rules.

Mr. Wei has abstained from voting on the board resolution to the Agreement and the Disposal due to conflict of interest. Other than Mr. Wei, no other director was required to abstain from voting on the board resolution to the Agreement.

GENERAL

A circular containing, among other things, (i) details of the Agreement and the Disposal contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Agreement and the Disposal contemplated thereunder; (iii) a letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the SGM, will be despatched to the Shareholders on or before 8 July 2016.

Completion is subject to the satisfaction of certain conditions precedent in the Agreement. There is no assurance that the Disposal will proceed. Shareholders and investors of the Company are advised to exercise caution in dealing in the shares of the Company.

DEFINITIONS

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

“Agreement”	an agreement dated 16 June 2016 entered into between the Vendor and the Purchaser in relation to the Disposal
“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“China Youth Concern Committee”	China Youth Concern Committee Enterprise Development Center
“Company”	China Soft Power Technology Holdings Limited (中國軟實力科技集團有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 0139)
“Completion”	completion of the Disposal
“Cooperative Agreement”	a cooperative agreement entered into between Sufu Technology and China Youth Concern Committee on 6 August 2015 in relation to the Project
“connected person”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Share and the assignment of the Sale Loan by the Vendor to the Purchaser pursuant to the Agreement
“Group”	the Company and its subsidiaries from time to time
“Growth Information Card”	the information card named “Hundreds Cities and Millions Babies Growth Information Card (百城萬嬰成長信息卡)” which is aimed to provide information and services on diet, medical, education and lifestyle for the healthy development of infants and children at or under the age of 12 in the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFA”	Nuada Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal

“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Kwok Chi Kwong, Mr. Chen Youchun, Mr. Frank H. Miu and Mr. Tsang Wing Ki to consider and advise the Independent Shareholders with regard to the Disposal
“Independent Shareholder(s)”	Shareholder(s) other than Mr. Wei and his associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 August 2016, or such other date as may be agreed by the Company, the Purchaser and the Vendor in writing
“Mr. Wei”	Mr. Wei Zhenyu, an executive Director and the Chairman of the Company
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Project”	the project which involves the development, production and issuance of the Growth Information Card
“Purchaser”	D9ING International Limited, a company incorporated in the British Virgin Islands with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Loan”	the entire amount of the unsecured and non-interest bearing shareholder’s loan owing from the Target Group to the Company being approximately HK\$77,759,000 as at the date of the announcement
“Sale Share”	one ordinary share of US\$1.00 each in the share capital of the Target, representing its entire issued share capital as at the date of this announcement
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sufu Technology”	Shanghai Sufu Technology Development Co., Ltd. (上海蘇芙科技發展有限公司), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Target
“Target”	CSPT Holdings Limited, a company incorporated in the British Virgin Island with limited liability and a direct wholly-owned subsidiary of the Vendor

“Target Group”	the Target and its subsidiaries
“Transaction Consideration”	US\$10.5 million (equivalent to approximately HK\$81.9 million), being the aggregate consideration for the disposal of the Sale Share and assignment of the Sale Loan by the Vendor to the Purchaser
“United States”	The United States of America
“US\$”	United States dollars, the lawful currency of the United States
“Vendor”	Hoshing Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“%”	per cent.

By order of the Board
China Soft Power Technology Holdings Limited
Szeto Pui Tong Patrick
Company Secretary

Hong Kong, 16 June 2016

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

Executive Directors

Mr. Wei Zhenyu (*Chairman*)
Mr. Wang Haixiong

Independent Non-executive Directors

Mr. Kwok Chi Kwong
Mr. Chen Youchun
Mr. Frank H. Miu
Mr. Tsang Wing Ki