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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

**If you have sold or transferred** all your shares in Future World Financial Holdings Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser or the transferee or to the licensed securities dealer, or to the bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.

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### FUTURE WORLD FINANCIAL HOLDINGS LIMITED

未來世界金融控股有限公司

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

**(Stock Code: 572)**

### **(1) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS: MASTER SERVICES AGREEMENT AND LOAN TRANSACTION; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent financial adviser to the Independent Board Committee and  
the Independent Shareholders**

**VEDA | CAPITAL**  
智略資本

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular, unless the context otherwise requires.

A letter from the Board is set out on pages 5 to 27 of this circular.

A notice convening the EGM to be held at Unit 912, 9th Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong on Monday, 6 August 2018 at 11:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof (as the case may be).

Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing the proxy shall be deemed to be revoked.

This circular will remain on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the website of the Company ([www.fw-fh.com](http://www.fw-fh.com)).

16 July 2018

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## DEFINITIONS

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

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors from time to time
“Brokerage Services”	brokerage services for trading of securities, futures and options contracts in Hong Kong and/or any other overseas exchanges
“Business Day”	a day on which licensed banks in Hong Kong are generally open for business (other than a Saturday, Sunday or public holiday)
“CSPT”	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 and its issued ordinary shares are listed on the Main Board of the Stock Exchange (stock code: 139)
“CSPT Group”	CSPT and its subsidiaries
“Company”	Future World Financial Holdings Limited (未來世界金融控股有限公司), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 572)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Corporate Finance Services”	corporate finance services in relation to possible fundraising activities of the Group, including but not limited to acting as placing agent or underwriter for the securities of the Company
“CWSI”	Central Wealth Securities Investment Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of CSPT
“Directors”	directors of the Company

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## DEFINITIONS

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“EGM”	the extraordinary general meeting of the Company to be held at Unit 912, 9th Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong on Monday, 6 August 2018 at 11 a.m. to approve the resolutions as set out in the notice of EGM
“First Supplemental Loan Agreement”	the supplemental loan agreement dated 19 September 2017 and entered into between CSPT as borrower and Globally Finance as lender in relation to the increase of the Loan Facility amount to up to HKD150,000,000
“Globally Finance”	Globally Finance Limited, a company incorporated in Hong Kong with limited liability, a direct wholly-owned subsidiary of the Company
“Golden Horse”	Golden Horse Hong Kong Investment Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries from time to time
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Government”	the government of Hong Kong
“Independent Board Committee”	the independent committee of the Board, the members of which consist of the independent non-executive Directors, formed to advise the Independent Shareholders with respect to the Master Services Agreement, the Loan Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Mr. Chen, Mr. Yu, CSPT, the relevant directors of CSPT and their respective associates
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons of the Company in accordance with the Listing Rules

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## DEFINITIONS

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“Latest Practicable Date”	9 July 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan(s)”	the revolving loan(s) to be drawn by CSPT under the Loan Facility granted by Globally Finance to CSPT under the Loan Agreement
“Loan Agreement”	collectively, the Original Loan Agreement, the First Supplemental Loan Agreement and the Second Supplemental Loan Agreement
“Loan Facility”	a revolving loan facility granted by Globally Finance under the Loan Agreement to CSPT
“Margin Financing”	granting of margin facilities
“Master Services Agreement”	the master services agreement dated 25 April 2018 (as amended and supplemented on 29 June 2018) and entered into between the Company and CWSI in relation to the provision of the Brokerage Services, the Margin Financing and the Corporate Finance Services by CWSI to the Group
“Mr. Chen”	Mr. Chen Xiaodong, the chief executive officer and an executive Director
“Mr. Yu”	Mr. Yu Qingrui, an executive Director
“Original Loan Agreement”	the loan agreement dated 7 September 2017 and entered into between CSPT as borrower and Globally Finance as lender in relation to the grant of the Loan Facility, which was amended and supplemented by the First Supplemental Loan Agreement and the Second Supplemental Loan Agreement

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## DEFINITIONS

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“PRC”	the People’s Republic of China
“RMB”	Reminbi, the lawful currency of the PRC
“Second Supplemental Loan Agreement”	the supplemental loan agreement dated 25 April 2018 and entered into between CSPT as borrower and Globally Finance as lender in relation to the increase of the Loan Facility amount to up to HKD270,000,000
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of HKD0.001 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stock Exchange Trading Right”	the rights and obligations under the Listing Rules for operating a brokerage business for products available on the Stock Exchange, using the trading facilities of the Stock Exchange which must be admitted and registered as an exchange participant
“USD”	US dollars, the lawful currency of the United States
“Veda Capital”	Veda Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee, and the Independent Shareholders on the Master Services Agreement, the Loan Agreement, the transactions contemplated thereunder and the relevant proposed annual caps
“%”	per cent

*In the event of inconsistency, the English text of the circular, the notice of EGM and the enclosed form of proxy shall prevail over the Chinese text.*

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## LETTER FROM THE BOARD

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### FUTURE WORLD FINANCIAL HOLDINGS LIMITED

未來世界金融控股有限公司

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

**(Stock Code: 572)**

*Executive Directors:*

Mr. Siu Yun Fat (*Chairman*)  
Mr. Chen Xiaodong (*Chief Executive Officer*)  
Mr. Cai Linzhan  
Mr. Lau Fai Lawrence  
Mr. Yu Qingrui

*Registered office:*

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

*Independent non-executive Directors:*

Mr. Siu Siu Ling, Robert  
Mr. Tam Tak Wah  
Mr. Zheng Zongjia

*Head office and principal place  
of business in Hong Kong:*

Unit 912, 9th Floor  
New East Ocean Centre  
9 Science Museum Road  
Kowloon  
Hong Kong

16 July 2018

*To the Shareholders:*

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS:  
MASTER SERVICES AGREEMENT AND LOAN TRANSACTION; AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

#### INTRODUCTION

References are made to the announcements of the Company dated 25 April 2018 and 29 June 2018 in relation to, among others, the Master Services Agreement and the Loan Agreement.

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## LETTER FROM THE BOARD

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Since December 2015, CWSI has been providing the Brokerage Services and the Margin Financing to Golden Horse, a direct wholly-owned subsidiary of the Company, from time to time.

On 9 September 2017, Globally Finance (a direct wholly-owned subsidiary of the Company) as lender and CSPT as borrower entered into the Original Loan Agreement, pursuant to which Globally Finance agreed to grant the Loan Facility in the amount of up to HKD35,000,000 to CSPT for a term of three years. On 19 September 2017, Globally Finance entered into the First Supplemental Loan Agreement with CSPT to increase the Loan Facility amount to up to HKD150,000,000. Details of which are set out in the announcement of the Company dated 19 September 2017.

On 25 April 2018 (after trading hours), (i) the Company and CWSI entered into the Master Services Agreement in relation to the provision of the Brokerage Services, the Margin Financing and the Corporate Finance Services by CWSI to the Group on an ongoing and non-exclusive basis; and (ii) Globally Finance and CSPT entered into the Second Supplemental Loan Agreement to further increase the Loan Facility amount to up to HKD270,000,000.

On 29 June 2018 (after trading hours), the Company and CWSI entered into a supplemental agreement to amend and supplement certain terms of the Master Services Agreement.

Since completion of the acquisition of the entire issued share capital of Goodview Assets Limited on 25 April 2018, CSPT Group has been interested in an aggregate 2,174,933,636 Shares, representing approximately 18.78% of the issued share capital of the Company and has become a substantial shareholder of the Company. Hence, each of CSPT and its associates, including CWSI, is a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the Master Services Agreement and the Loan Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) details of the Master Services Agreement, the Loan Agreement and the transactions contemplated thereunder; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the transactions contemplated under the Master Services Agreement and the Loan Agreement; (iii) the letter of advice from Veda Capital to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Master Services Agreement and the Loan Agreement; and (iv) a notice of the EGM.



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## LETTER FROM THE BOARD

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### A. MASTER SERVICES AGREEMENT

#### Principal Terms of the Master Services Agreement

The principal terms of the Master Services Agreement are as follows:

##### *Date*

25 April 2018 (after trading hours) (as amended and supplemented on 29 June 2018)

##### *Parties*

- (1) The Company (contracting for the Group); and
- (2) CWSI, an indirect wholly-owned subsidiary of CSPT.

##### *Provision of Services*

Pursuant to the Master Services Agreement, CWSI will provide the Brokerage Services, the Margin Financing and the Corporate Finance Services to the Group during the term of the Master Services Agreement. The provision of the above services shall be subject to the terms and conditions of the standard client agreement of CWSI from time to time. In return, the Group will pay (i) brokerage fees and other administration fees (the “**Brokerage Fees**”); (ii) interests for the Margin Financing; and (iii) service fees for the Corporate Finance Services (the “**Service Fees**”) to CWSI, respectively.

##### *Term*

From the date of the Master Services Agreement until 31 December 2020.

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## LETTER FROM THE BOARD

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### *Price Determination*

#### *(i) The Brokerage Fees*

The Brokerage Fees shall be charged at 0.08% on the gross trade amount. Where CWSI has executed a purchase or sale transaction on the Group's behalf, the Brokerage Fees shall be paid and settled within two business days after the trade day.

The Brokerage Fees was determined by the parties having considered the following factors:

- (1) The prevailing commission and fees charged by other independent brokers and securities companies for similar brokerage services. As the Group has been using brokerage services of three other independent brokers, it was and is able to compare the brokerage commission rates and fees for securities trading of these independent brokers with that of CWSI; and
- (2) The fees and commission rate charged by CWSI for the same brokerage services, as shown on the website of CWSI.

#### *(ii) Interest for the Margin Financing*

The Group shall pay interest on the outstanding amount of the Margin Financing at the interest rate of 8% per annum on a daily basis, and such interest shall be repaid by the Group monthly. The facility is repayable on demand and may be varied or terminated in the absolute discretion of CWSI.

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## LETTER FROM THE BOARD

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The interest rate offered by CWSI was determined after arm's length negotiations between the parties and shall be on normal commercial term taking into account the following factors:

- (1) The interest rates ranging from 6% to 9% per annum for similar margin financing arrangement, which have been offered to the Group in its three other margin financing agreements entered into with Independent Third Parties. As some of these Independent Third Parties charge an application fee ranging from 1% to 3% of the Margin Financing amount in addition to the interest for the Margin Financing, the terms of obtaining the Margin Financing from CWSI (which does not charge any application fee of similar kind) were no less favourable than those offered by the aforesaid Independent Third Parties or others from which the Group has obtained quotations; and
- (2) The interest rates generally offered by CWSI to independent clients for comparable engagement ranging from around 9.25% to 12.25% per annum (depending on whether the client has the overdue amount within or beyond the marginable value), as shown on the website of CWSI.

The Group will keep track of the pricing charged by CWSI regarding the Brokerage Services and the Margin Financing by reviewing the monthly statements issued by CWSI to the Group, and compare to that charged by the three other independent service providers currently providing similar services to the Company on monthly basis. In the event that the pricing charged by CWSI regarding the Brokerage Services and the Margin Financing is found to be less favourable than that charged by the aforesaid independent service providers, the Group will refrain from using the services of CWSI.

Considering that the Group will frequently conduct securities trading and investment, which is one of its principal businesses, the Directors take the view that (i) it would be commercially burdensome for the Group to compare the pricing charged by CWSI and the other independent service providers before each securities transaction; and (ii) by contrast, a monthly review on the pricing charged by CWSI and the other independent service providers by reviewing the relevant monthly statements will provide the Group with more flexibility and allow the Group to make comparison more efficiently.

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## LETTER FROM THE BOARD

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*(iii) Service Fees*

In respect of the Corporate Finance Services, should the need for fundraising activities arise and the Company decides to conduct placing in the future, the Company shall obtain quotations for acting as the placing agent or placing underwriter (as the case may be) from CWSI as well as at least two other independent service providers via phone calls or emails. The parties agreed that the quotation for the Service Fees from CWSI shall be determined after arm's length negotiations, and shall be on normal commercial term taking into account the following factors:

- (1) The then prevailing service fees for similar services in the market, with reference to the disclosure regarding placing or underwriting commission charged by financial services companies in the announcements of companies listed on the Stock Exchange. The Directors are of the view that such information is the only publicly available and reliable information as to the market rate of prevailing service fees for similar services;
- (2) The quotations obtained by the Group from the other two independent service providers for similar services at the relevant time; and
- (3) The fees charged by CWSI for similar services at the relevant time.

The Company shall compare the quotation from CWSI to those provided by other independent service providers and engage the service provider offering the most favourable terms to the Company. In the event that CWSI is appointed as the placing agent or the placing underwriter, the terms offered by CWSI shall be no less favourable than those offered by the other independent service providers.

The parties further agreed that the Service Fees shall be settled by way of deduction from the proceeds of the fundraising activities within seven days upon completion of such fundraising activities.

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## LETTER FROM THE BOARD

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To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the commission and margin financing interest rate shown on the website of CWSI is a public source of information regarding the fees schedule of CWSI which the Group can make reference to, however, due to the issue of confidentiality, the Group has no means to know the exact commission and margin financing interest rate charged on different customers by CWSI, or whether there is any deviation from the fees schedule shown on the website of CWSI.

The Directors confirm that the Group had not conducted any transactions under the Master Services Agreement after entering into of the Master Services Agreement and up to the Latest Practicable Date.

### Proposed Annual Caps

The proposed annual caps for (i) the Brokerage Fees; (ii) the maximum outstanding amount of the Margin Financing; (iii) the maximum interest amount of the Margin Financing; and (iv) the Service Fees for each of the period/years ending 31 December 2018, 2019 and 2020 are as follows:

	<b>From 6 August 2018 <sup>(Note)</sup> to 31 December 2018 HKD</b>	<b>For the year ending 31 December 2019 HKD</b>	<b>For the year ending 31 December 2020 HKD</b>
Brokerage Fees	1,180,000	2,900,000	2,900,000
Maximum outstanding amount of the Margin Financing	100,000,000	100,000,000	100,000,000
Maximum interest amount of the Margin Financing	3,250,000	8,000,000	8,000,000
Service Fees	8,110,000	20,000,000	20,000,000

*Note:* The expected date of granting approval of the transactions under the Master Services Agreement by the Independent Shareholders.

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## LETTER FROM THE BOARD

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### **Basis for Determination of the Annual Caps**

The above proposed annual caps have been determined after arm's length negotiations between the parties.

**(i) Brokerage Fees**

The annual cap of the Brokerage Fees is determined having taken into account the following factors:

- (a) The historical maximum amount of the Brokerage Fees of approximately HKD1.1 million paid by Golden Horse to CWSI during the period from 1 January to 31 May 2018; and
- (b) The anticipated future need for trading of securities by the Group in its business of securities trading and investment. There is an increase of 2.8 times in the held-for-trading investments of approximately HKD310.3 million as at 31 December 2016 to approximately HKD872.6 million as at 31 December 2017, which is consisted of listed securities held for trading at fair value and equity securities listed in Hong Kong. The Directors consider there will be a positive trend in the Hong Kong stock market based on the following factors: (i) that the International Monetary Fund provided a forecast that global economic activity continues to firm up and revised upward the growth forecast for 2018 and 2019 to 3.9%; (ii) that the Hong Kong Government reinstates the growth target of 3% per annum in real terms from 2019 to 2022 and pledges to further open up the economy on trade, finance and investment to step up the role as an international centre for fund raising and asset management in light of the initiatives introduced by the PRC government; and (iii) that enhanced mutual capital market access between the PRC and Hong Kong and the introduction of new listing requirements further enhances the optimism and confidence in the Hong Kong stock market. As such, the Directors consider with the introduction of weighted voting rights and other new listing regimes available for companies which would not have chosen to list in Hong Kong, it is expected that more companies with great investment potential will be available in the coming years and thus the potential trading volume of the held-for-trading investments by the Group will likely continue to increase in the next three years, thereby causing a substantial increase in the brokerage fee for such trading. In view of the aforesaid, the Directors further expect that there will be an increasing use of the Brokerage Services for securities trading, and the Group will need the buffer of Brokerage Fees to provide more flexibility for its investment and trading activities via CWSI.

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## LETTER FROM THE BOARD

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*(ii) Margin Financing*

The annual cap for the maximum outstanding amount of the Margin Financing is determined having taken into account the following factors:

- (a) The percentage of the market value of the collaterals maintained in the securities account of Golden Horse with CWSI (the “**Margin Ratio**”), as may be determined by CWSI from time to time, based on the quality of such collaterals. Depending on the quality of different collaterals maintained by Golden Horse with CWSI, the Margin Ratio has been ranging from around 30% to 85% in general;
- (b) The maximum amount of margin financing of approximately HKD58.8 million as at 30 January 2018 granted by CWSI and applied by Golden Horse, amid the prevailing bullish market sentiment of the Hong Kong stock market, and that CWSI provided short-term sufficient financial resources in the form of margin financing to the Group to enable the Group to capture investment opportunities in the market in time and in a flexible manner and to maximise Shareholders’ returns in the securities market;
- (c) The Group’s perception on the securities market and its investment strategies, as discussed in the preceding paragraphs; and
- (d) A buffer to allow higher flexibility for the Group to conduct investment and trading activities in the future so as to grasp appropriate investment opportunities in the market, depending on the performance of the Hong Kong stock market.

The annual cap for the maximum amount of interest of the Margin Financing is determined based on the interest rate offered to Golden Horse by CWSI as discussed in the preceding paragraph.

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## LETTER FROM THE BOARD

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*(iii) Service Fees*

The annual cap for the Service Fees is determined having taken into account:

- (a) the total amount of placing commission of approximately HKD11.6 million paid to CWSI, which acted as the placing agent in the placing of 400,000,000 Shares, 427,000,000 Shares and 1,630,000,000 Shares respectively conducted by the Company in the financial year ended 31 December 2017; and
- (b) the need for relevant corporate finance services from CWSI in relation to the possible fundraising activities of the Group in the future, such as acting as placing agent or underwriter for the securities of the Company.

As at the Latest Practicable Date, the Company did not have any fundraising plan in mind. The proposed annual cap for the Service Fees is for the purpose to provide buffer and flexibility for the Company to adjust its investment plan and to obtain financing by using CWSI's Corporate Finance Services should the need arise, so that the Group would benefit from potential business opportunities.

### **Internal Control Measures Governing the Master Services Agreement**

The following internal control procedures will be established to govern the Master Services Agreement:

- (i) In order to ensure that the proposed annual caps will not be exceeded, the designated staff of the accounting department of the Group (the "**Designated Staff**") will:
  - (a) on daily basis, monitor and record the trading volume of the transactions in the securities account of the Group maintained with CWSI and the amount of the Brokerage Fees, and the outstanding amount of the Margin Financing and the related interests amount;
  - (b) prior to obtaining any Margin Financing, monitor the outstanding amount of the Margin Financing and the related interests amount;
  - (c) before conducting any fundraising activity via CWSI, check whether the Service Fees does not exceed the proposed annual cap, and keep proper record of the Service Fees thereafter; and
  - (d) report the status to the financial controller of the Group (the "**Financial Controller**") on bi-weekly basis;



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## LETTER FROM THE BOARD

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- (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 Master Services Agreement and where necessary, seek advice from professional parties such as legal advisers and/or auditor;
- (iii) The independent non-executive Directors will perform annual review pursuant to Rule 14A.55 of the Listing Rules on whether the transactions under the Master Services Agreement are conducted (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the Master Services Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and
- (iv) The Company's auditor will confirm pursuant to Rule 14A.56 of the Listing Rules, among others, whether (a) the transactions under the Master Services Agreement have been approved by the Board; and (b) the transactions were entered into, in all material respects, in accordance with the Master Services Agreement governing the transactions; and (c) the proposed annual caps have not been exceeded.

### **Reasons for and Benefits of the Master Services Agreement**

As one of the major sources for the Group's revenue is from the investment and trading of securities business, the Group intends to utilise the Brokerage Services, the Margin Financing and the Corporate Finance Services to conduct its securities trading and investment in its ordinary and usual course of business. The Directors consider that the entering into of the Master Services Agreement and the subsequent provision of the Brokerage Services, the Margin Financing and the Corporate Finance Services provide the Group with more flexibility for its securities trading and investment, and obtain financing to further develop its businesses or grasp potential business or investment opportunities. Furthermore, the terms of the Master Services Agreement have been determined after arm's length negotiation between the parties, pursuant to which (i) the Brokerage Fees shall be based on the prevailing commission and fees charged by other independent brokers and securities companies for similar brokerage services and the fees charged by CWSI for the same brokerage services as shown on its website; (ii) the interest rate in connection with the Margin Financing shall be determined based on normal commercial terms having taken into account, among others, the interest rates for similar margin financing arrangement offered to the Group by other Independent Third Parties and the interest rates offered by CWSI to independent clients for comparable engagement; (iii) the Service Fees shall be determined based on normal commercial terms based on, among others, prevailing service fees for similar services in the market, the fees charged by CWSI for similar services as shown in its website; and (iv) the provision of the services under the Master Services Agreement shall be subject to the terms and conditions of the standard client agreements of CWSI from time to time.

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## LETTER FROM THE BOARD

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Accordingly, the Directors are of the view that there is no particular disadvantage in entering into of the Master Services Agreement, the terms of the Master Services Agreement (including the relevant proposed annual caps) are fair and reasonable and are on normal commercial terms, and that the entering into of the Master Services Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

### **B. LOAN TRANSACTION**

A summary of the principal terms of the Loan Agreement is set out below.

**Date:** 7 September 2017 (as supplemented by the First Supplemental Loan Agreement on 19 September 2017 and the Second Supplemental Loan Agreement on 25 April 2018)

**Parties:** (1) Globally Finance as lender  
(2) CSPT as borrower

Globally Finance is a company incorporated in Hong Kong and is a direct wholly-owned subsidiary of the Company.

CSPT is a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 139).

**Facility amount:** HKD270,000,000

**Interest rate:** 8% per annum

**Availability period:** the period commencing from the date of the Loan Agreement and ending on 31 December 2020 (the “**Availability Period**”).

**Repayment date:** 31 December 2020 (or such earlier date as Globally Finance and CSPT may agree in writing) or such earlier date of repayment as demanded by Globally Finance (the “**Repayment Date**”).

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## LETTER FROM THE BOARD

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The principal of the Loans drawn under the Loan Facility and for the time being outstanding shall be repaid in full in one lump sum on the Repayment Date, whereas the interest on the aggregate principal amount outstanding under the Loans shall be paid by CSPT quarterly.

Globally Finance shall have the overriding right at any time by written notice to CSPT to demand early repayment of the Loan Facility drawn and all interest accrued thereon and CSPT shall within ten (10) Business Days from the date of such notice repay the Loan(s).

CSPT shall be entitled to prepay the whole or any part of the Loan with the prior written approval of Globally Finance.

The Loan Facility is revolving in nature and any Loan amount(s) prepaid or repaid in accordance with the terms of the Loan Agreement may be redrawn by CSPT under the Loan Facility during the Availability Period provided that the outstanding principal amount of the Loan drawn under the Loan Facility shall not exceed HKD270,000,000.

**Conditions precedent:** The obligation of Globally Finance to advance Loan(s) to CSPT under the Loan Agreement shall be subject to the fulfillment of the following conditions:

- (i) all necessary approvals, consents, authorisations and licenses in relation to the transaction contemplated under the Loan Agreement having been obtained;
- (ii) all representations and warranties made by CSPT in the Loan Agreement or in connection therewith shall be true and correct with the same effect as made on and as of the relevant drawdown date(s) with reference to the facts and circumstances then subsisting;
- (iii) no event of default shall have occurred;

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## LETTER FROM THE BOARD

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- (iv) Globally Finance having received such other documents, evidence and financial and other information relating to any matter contemplated under the Loan Agreement as Globally Finance may require; and
- (v) the passing of necessary resolutions by the Independent Shareholders at the EGM to be held and convened to approve, confirm and ratify the Loan Agreement and the transaction contemplated thereunder.

### **Default:**

If CSPT defaults in repayment on the due date of any sum, interest or other amounts payable under the Loan Agreement, it shall pay interest on such overdue sums from the due date until payment in full (before and after judgment) at the rate of 8% per annum (“**Default Interest**”). Globally Finance may serve a written notice to CSPT after the Repayment Date confirming the total amount of the Default Interest, and CSPT shall settle the Default Interest in full within ten (10) Business Days upon receipt of such notice.

### **Funding of the Loan Facility**

The Group will finance the Loan Facility with its internal resources.

### **Proposed Annual Caps**

Under the Loan Agreement, the proposed annual caps for the maximum principal amount outstanding and the maximum interest amount in relation to the Loan for each of the period from the expected drawdown date upon fulfillment of the conditions precedent to 31 December 2018 and the two years ending 31 December 2020 are as follows:

	<b>From 6 August 2018 to <sup>(Note)</sup> 31 December 2018 HKD</b>	<b>For the year ending 31 December 2019 HKD</b>	<b>For the year ending 31 December 2020 HKD</b>
Maximum principal amount outstanding	270,000,000	270,000,000	270,000,000
Maximum interest amount	8,760,000	21,600,000	21,600,000
Proposed annual caps	278,760,000	291,600,000	291,600,000

*Note:* The expected drawdown date upon fulfillment of the conditions precedent set forth above.

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## LETTER FROM THE BOARD

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### **Basis for Determination of the Annual Caps**

The proposed annual caps were determined with reference to the following factors:

- (i) The historical transaction amounts of the Loan provided to CSPT by Globally Finance since September 2017. No loan had been granted to CSPT by Globally Finance prior to the entering into of the Original Loan Agreement on 7 September 2017. For the year ended 31 December 2017, the maximum principal amount outstanding was HKD150,000,000 and the maximum interest amount was approximately HKD2,695,000; and
- (ii) The aggregate principal amount outstanding under the Loan to be granted by Globally Finance to CSPT and the annual interest payable under the Loan Agreement, based on the assumption that CSPT will borrow up to HKD270,000,000 for each of the above periods respectively. Pursuant to the Loan Agreement, it was agreed that CSPT shall pay interest on the aggregate principal amount outstanding under the Loan from time to time at the interest rate of 8% per annum.

The interest rate under the Loan Agreement was agreed by the parties after arm's length negotiations having taken into account the following factors:

- (i) The prevailing range of market interest rates and practices that interest rates offered by licensed money lenders are generally higher than those offered by licensed banks. Currently, to the best of the Directors' information, belief and knowledge, the interest rate offered by licensed bank for comparable amount of loan is around 5% per annum. The interest rate offered by Globally Finance shall be higher than that offered by licensed banks and in line with such market practice;
- (ii) The interest rates ranging from 8% to 12% per annum in respect of the two sums of loans provided by the Group to a film production investor which is a connected person during the year ended 31 December 2017. The Group intended to adopt consistent lending policies in its loan arrangements and therefore apply an interest rate in the Loan Agreement within the range of interest rates applied in its other existing loan arrangements; and
- (iii) The lending policy of Globally Finance, which in general offers an interest rate of 8% per annum in its loan arrangements with individuals who are Independent Third Parties.

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## LETTER FROM THE BOARD

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### Internal Control Measures Governing the Loan Agreement

The risk in associated with the grant of the Loan Facility to CSPT is the potential default of repayment by CSPT, which the Directors believe is the only disadvantage in entering into of the Loan Agreement. The Group has adopted or will adopt the following internal control measures (the “**Internal Control Measures**”) to protect the interests of the Group and the Shareholders:

- (i) Reviewing the past credit records, backgrounds and assets records of CSPT in accordance with the credit policy of Globally Finance;
- (ii) The Financial Controller regularly monitors the liquidity status of the Group and ensures that the Group has sufficient cash flow for its operation. When a notice of drawing from CSPT at each tranche is received, the Financial Controller assesses the cash position of the Group in advance before allowing drawdown by CSPT;
- (iii) The Designated Staff will, on weekly basis and before allowing drawdown by CSPT each time, monitor and record the outstanding loan balances and interest amount under the Loan Agreement, and compare that with the proposed annual caps. The Designated Staff will also report the status to the Financial Controller on bi-weekly basis and the Financial Controller will further review to ensure that the outstanding loan balances and interest amount will not exceed the proposed annual caps;
- (iv) The Financial Controller will assess the credit risk of CSPT at each of the time a new loan is granted to CSPT, by reviewing the latest publicly available financial information of CSPT and discussing with the management of CSPT;
- (v) The Financial Controller will report to the Directors (including the independent non-executive Directors) on half-yearly basis in relation to the status of the transaction contemplated under the Loan Agreement, including outstanding loan balances, interests and any event of default;
- (vi) 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 Loan Agreement and where necessary, seek advice from professional parties such as legal advisers and/or auditor;

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## LETTER FROM THE BOARD

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- (vii) The independent non-executive Directors will perform annual review pursuant to Rule 14A.55 of the Listing Rules on whether the transactions under the Loan Agreement are conducted (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the Loan Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and
- (viii) The Company's auditor will confirm pursuant to Rule 14A.56 of the Listing Rules, among others, whether (a) the transactions under the Loan Agreement have been approved by the Board; (b) the transactions were entered into, in all material respects, in accordance with the Loan Agreement governing the transactions; and (c) the proposed annual caps have not been exceeded.

In evaluating the risks in associated with the grant of the Loan Facility to CSPT, the Directors have also considered the factors below:

- (i) Based on the annual report of CSPT for the financial year ended 31 March 2017, the interim report of CSPT for the six months ended 30 September 2017 and the annual report of CSPT for the period from 1 April to 31 December 2017, the net assets value of CSPT as at 31 March 2017, 30 September 2017 and 31 December 2017 was approximately HKD1,315.6 million, HKD2,951.9 million and HKD2,723.9 million, respectively, which was able to cover the maximum principal amount and maximum interest amount of the Loan;
- (ii) Based on the annual report of CSPT for the financial year ended 31 March 2017, CSPT had no charges on assets. Based on the annual report of CSPT for the period from 1 April to 31 December 2017, as at 31 December 2017, (a) CSPT Group had charges on assets in the form of certain Hong Kong listed securities collectively held by two wholly-owned subsidiaries charged to secure a USD30,000,000 term loan facility; (b) CSPT Group had pledged certain listed equity investments of approximately HKD1,925,744,000 to secure the other loan; and (c) CSPT Group had pledged its investment properties with a carrying amount of approximately HKD830,000,000 to secure the bank borrowing;

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## LETTER FROM THE BOARD

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- (iii) Based on the annual report of CSPT for the financial year ended 31 March 2017, the interim report of CSPT for the six months ended 30 September 2017 and the annual report of CSPT for the period from 1 April to 31 December 2017, the CSPT Group will have sufficient sources of income to repay the Loan;
- (iv) The financial position and prospects of CSPT Group shows positive signs. Pursuant to the annual report of CSPT for the year ended 31 December 2017,
  - (i) CSPT recorded revenue generated from financial investment and services of approximately HKD185,490,000 and the brokerage and commission income of approximately HKD38,965,000; (ii) with the implementation of the belt and road initiative, the development of Guangdong-Hong Kong-Macau Greater Bay Area and the launch of the Shanghai-HK Stock Connect, Shenzhen-HK Stock Connect and the HK-China Bond, Hong Kong will benefit from the increasing demand for the financial investments and business services; and (iii) with the support from the Fintech Facilitation Office of the Hong Kong Monetary Authority and other government regulatory bodies and their determinations to promote Hong Kong as a FinTech hub in Asia, CSPT Group is optimistic in the sustainable development of the FinTech industry and FinTech ecosystem in Hong Kong;
- (v) CSPT is a listed company and may conduct fundraising activities in the capital market and apply the proceeds for loan repayment should the need arise; and
- (vi) To the best of the Directors' knowledge and information, the Directors are not aware of any material default by CSPT in loan repayment in the past.

As disclosed above, although most of the assets of CSPT as at 31 December 2017 were under charges or pledges, the Directors consider that the effect of which could be mitigated by the factors set forth and explained in paragraphs (i), (iii) to (vi) above. Based on the aforesaid, the Directors take the view that the possibility of material default of CSPT in repayment of the Loan under the Loan Agreement is relatively low.



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## LETTER FROM THE BOARD

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### Reasons for and Benefits of the Loan Agreement

As the Loan has been generating interest income to Globally Finance, the Company believes it as a good opportunity to obtain higher returns in terms of interest income for the Group by increasing the amount of the Loan Facility to up to HKD270,000,000. Whilst the Group has been earning higher returns by providing loan to a film production investor at an interest rate of 12% per annum as disclosed in the preceding paragraphs, investment opportunity in film may not be easily identified and obtained by the Group, and the Directors believe that the interest rate of 8% under the Loan Agreement can generate considerable returns to the Company. Having considered that (i) the grant of the Loan Facility to CSPT is in line with the ordinary and usual course of business of Globally Finance and is on normal commercial terms; and (ii) the interest rate under the Loan Agreement is relatively attractive as it is much higher than the interest rate for six-month fixed deposit in the banks in Hong Kong, the Company further believes that the advance of the Loan to CSPT represents an investment opportunity which is beneficial to the Company.

In view of the above factors and the Internal Control Measures, the Directors consider that (a) the Loan Agreement (including the proposed annual caps) were entered into on normal commercial terms; (b) the terms of the Loan Agreement (including the principal amount, the interest rate and the proposed annual caps) are fair and reasonable; (c) the possibility of default of CSPT under the Loan Agreement is low, and therefore the risks in associated with the grant of the Loan Facility to CSPT is relatively low; and (d) having taken into account of the stream of interest income expected to be derived from the Loan, the Loan Agreement is in the interests of the Company and the Shareholders as a whole.

### INFORMATION OF THE GROUP AND GLOBALLY FINANCE

The Group is principally engaged in (i) securities trading and investment; (ii) provision of financing services; (iii) investment property in Hong Kong; (iv) e-commerce business; and (v) trading business and related services.

Globally Finance is a company incorporated in Hong Kong with limited liability and is a direct wholly-owned subsidiary of the Company. It is principally engaged in money lending and related business in Hong Kong and holds a valid Money Lenders Licence under the provisions of the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) to carry out its business.

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## LETTER FROM THE BOARD

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### INFORMATION OF CSPT GROUP AND CWSI

CSPT 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 at the Latest Practicable Date, the Group (through its subsidiaries) was interested in 1,070,621,316 ordinary shares of CSPT, representing approximately 7.27% of the issued share capital of CSPT as at the Latest Practicable Date.

CWSI is an indirect wholly-owned subsidiary of CSPT. It has obtained the Stock Exchange Trading Right from the Stock Exchange and licenses from the Securities and Futures Commission of Hong Kong to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities.

### IMPLICATIONS UNDER THE LISTING RULES

As CSPT is a substantial shareholder of the Company, each of CSPT and its associates, including CWSI, is a connected person of the Company for the purposes of the Listing Rules. The transactions between the Group and CWSI under the Master Services Agreement and the transactions between Globally Finance and CSPT under the Loan Agreement will therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

At the Board meeting held to approve the Master Services Agreement and the Loan Agreement, Mr. Chen and Mr. Yu, being common directors of CSPT and the Company, were considered to be interested in the transactions contemplated under the Master Services Agreement and the Loan Agreement, and have abstained from voting on the relevant Board resolutions relating to the Master Services Agreement, the Loan Agreement and the transactions contemplated thereunder. Apart from the aforesaid, none of the Directors has any material interest in the abovementioned transactions and is required to abstain from voting on the Board resolutions approving the Master Services Agreement, the Loan Agreement and the transactions contemplated thereunder.

As the applicable percentage ratios under the Listing Rules exceed 5% but are less than 25%, the entering into of the Master Services Agreement and the Loan Agreement constitutes discloseable transactions for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules. Furthermore, the granting of the Loan Facility under the Loan Agreement constitutes provision of financial assistance by the Group under the Listing Rules. As the amount of the financial assistance granted to CSPT exceeds 8% under the assets ratio as defined under Rule 13.13 of the Listing Rules, the grant of the Loan Facility is also subject to the general disclosure obligations under Rule 13.15 of the Listing Rules.

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## LETTER FROM THE BOARD

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As the applicable percentage ratios of the proposed annual caps for the transactions under the Master Services Agreement and the Loan Agreement exceed 5%, the Master Services Agreement, the Loan Agreement and the transactions contemplated thereunder are subject to reporting, announcement, Independent Shareholders' approval and annual review requirements pursuant to Chapter 14A of the Listing Rules. Appropriate disclosure of the above transactions will be made in the next published annual report and accounts of the Company in accordance with the Listing Rules.

As any Shareholders who are involved in or interested in the Master Services Agreement, the Loan Agreement and the transactions contemplated thereunder are required to abstain from voting on the relevant ordinary resolutions approving the Master Services Agreement, the Loan Agreement and the transactions contemplated thereunder, each of Mr. Chen, Mr. Yu, CSPT, the relevant directors of CSPT and their respective associates will abstain from voting on the relevant ordinary resolutions to be proposed at the EGM. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, save for the aforementioned, no Shareholder (or its associates) has any material interest in the transactions contemplated under the Master Services Agreement and the Loan Agreement.

### THE EGM

Set out on pages EGM-1 to EGM-4 of this circular is a notice convening the EGM to be held at Unit 912, 9th Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong on Monday, 6 August 2018 at 11 a.m. at which the relevant resolutions will be proposed at the EGM to approve, among other things, the Master Services Agreement, the Loan Agreement, the transactions contemplated thereunder and the relevant proposed annual caps by the Independent Shareholders.

The voting in relation to the Master Services Agreement, the Loan Agreement and the transactions contemplated thereunder at the EGM will be conducted by way of poll at the EGM, and an announcement on the results of the EGM will be made by the Company after the EGM.

Any Shareholder with a material interest in the proposed transactions and his/her/its associates will abstain from voting on resolutions approving that transactions, each of Mr. Chen, Mr. Yu, CSPT, the relevant directors of CSPT and their respective associates will abstain from voting on the relevant ordinary resolutions to be proposed at the EGM.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, no other Shareholders will be required to abstain from voting at the EGM to be convened for the purpose of considering and, if thought fit, approving the Master Services Agreement, the Loan Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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To the best knowledge, information and belief of the Directors having made all reasonable enquiries, there was (i) no voting trust or other agreement or arrangement or understanding entered into or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM 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 EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing the proxy shall be deemed to be revoked.

In order to be eligible to attend and vote at the EGM, all unregistered holders of the Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 31 July 2018.

### **RECOMMENDATION**

The Independent Board Committee has been established to advise the Independent Shareholders as to, among other things, whether the terms of the Master Services Agreement, the Loan Agreement and the transactions contemplated thereunder, including the relevant proposed annual caps, are fair and reasonable so far as the Independent Shareholders are concerned. Veda Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the aforementioned respect.

The letter from Veda Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 30 to 80 of this circular and the letter from the Independent Board Committee to the Independent Shareholders is set out on pages 28 to 29 of this circular.

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## LETTER FROM THE BOARD

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The Independent Board Committee, having taken into account the advice Veda Capital, is of the opinion that the terms of the Master Services Agreement, the Loan Agreement and the transactions contemplated thereunder, including the relevant proposed annual caps, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole and therefore recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

The Board considers that the terms of the Master Services Agreement, the Loan Agreement and the transactions contemplated thereunder (including the relevant proposed annual caps) are on normal commercial terms which are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM.

You are advised to read carefully the letter from the Independent Board Committee set out on pages 28 to 29 of this circular. You are also advised to read carefully the letter from Veda Capital containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Master Services Agreement, the Loan Agreement and the transactions contemplated thereunder, as set out on pages 30 to 80 of this circular.

### **ADDITIONAL INFORMATION**

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

By order of the Board  
**Future World Financial Holdings Limited**  
**Siu Yun Fat**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### FUTURE WORLD FINANCIAL HOLDINGS LIMITED

未來世界金融控股有限公司

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

**(Stock Code: 572)**

16 July 2018

*To the Independent Shareholders*

Dear Sir or Madam,

#### **DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS: MASTER SERVICES AGREEMENT AND LOAN TRANSACTION**

We refer to the circular dated 16 July 2018 issued by the Company (the “**Circular**”), of which this letter forms part. Terms used in this letter shall bear the same meanings as given to them in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Master Services Agreement, the Loan Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to the fairness and reasonableness of the aforesaid matters, and to recommend how the Independent Shareholders should vote at the EGM. Veda Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 27 of the Circular, and the letter from Veda Capital to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the Master Services Agreement, the Loan Agreement and the transactions contemplated thereunder, as set out on pages 30 to 80 of the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account of the advice of Veda Capital, we consider that the Master Services Agreement and the Loan Agreement were entered into in the ordinary and usual course of business of the Company, are on normal commercial terms, and that the continuing connected transactions contemplated thereunder together with the relevant proposed annual caps are in the best interests of the Company and the Shareholders as a whole. We also consider that the continuing connected transactions contemplated under the Master Services Agreement, the Loan Agreement and the relevant proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Master Services Agreement, the Loan Agreement and the relevant proposed annual caps.

Yours faithfully,

The Independent Board Committee of  
**Future World Financial Holdings Limited**

**Mr. Siu Siu Ling, Robert**  
*Independent*  
*non-executive Director*

**Mr. Tam Tak Wah**  
*Independent*  
*non-executive Director*

**Mr. Zheng Zongjia**  
*Independent*  
*non-executive Director*

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## LETTER FROM VEDA CAPITAL

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*The following is the text of the letter of advice from Veda Capital to the Independent Board Committee and the Independent Shareholder in respect of the Master Services Agreement, the Loan Agreement and the transactions contemplated thereunder (including the proposed annual caps) which has been prepared for the purpose of incorporation in this circular.*

**VEDA | CAPITAL**  
**智 略 資 本**

**Veda Capital Limited**  
Room 1106, 11/F,  
Wing On Centre,  
111 Connaught Road Central,  
Hong Kong

16 July 2018

*To the Independent Board Committee and the Independent Shareholders of  
Future World Financial Holdings Limited*

Dear Sir/Madam,

**DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS:  
MASTER SERVICES AGREEMENT  
AND  
LOAN TRANSACTION**

**INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the terms and conditions of the Master Services Agreement, the Loan Agreement and the transactions contemplated thereunder (including the proposed annual caps), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 16 July 2018 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless the context requires otherwise.

Since December 2015, CWSI has been providing the Brokerage Services, the Margin Financing to Golden Horse, a direct wholly-owned subsidiary of the Company, from time to time.



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## LETTER FROM VEDA CAPITAL

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On 9 September 2017, Globally Finance (a direct wholly-owned subsidiary of the Company) as lender and CSPT as borrower entered into the Original Loan Agreement, pursuant to which Globally Finance agreed to grant the Loan Facility in the amount of up to HKD35,000,000 to CSPT for a term of three years. On 19 September 2017, Globally Finance entered into the First Supplemental Loan Agreement with CSPT to increase the Loan Facility amount to up to HKD150,000,000. Details of which are set out in the announcement of the Company dated 19 September 2017.

On 25 April 2018 (after trading hours), (i) the Company and CWSI entered into the Master Services Agreement in relation to the provision of the Brokerage Services, the Margin Financing and the Corporate Finance Services by CWSI to the Group on an ongoing and non-exclusive basis; and (ii) Globally Finance (as lender) and CSPT (as borrower) entered into the Second Supplemental Loan Agreement to further increase the Loan Facility amount under the Loan Agreement to up to HKD270,000,000.

On 29 June 2018 (after trading hours), the Company and CWSI entered into a supplemental agreement to amend and supplement certain terms of the Master Services Agreement.

Since completion of the acquisition of the entire issued share capital of Goodview Assets Limited on 25 April 2018, CSPT Group has been interested in an aggregate 2,174,933,636 Shares, representing approximately 18.78% of the issued share capital of the Company and has become a substantial shareholder of the Company. Hence, each of CSPT and its associates, including CWSI, is a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the Master Services Agreement and the Loan Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios under the Listing Rules exceed 5% but are less than 25%, the entering into of the Master Services Agreement and the Loan Agreement constitutes discloseable transactions for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules. Furthermore, the granting of the Loan Facility under the Loan Agreement constitutes provision of financial assistance by the Group under the Listing Rules. As the amount of the financial assistance granted to CSPT exceeds 8% under the assets ratio as defined under Rule 13.13 of the Listing Rules, the grant of the Loan Facility is also subject to the general disclosure obligations under Rule 13.15 of the Listing Rules.

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## LETTER FROM VEDA CAPITAL

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As the applicable percentage ratios of the proposed annual caps for the transactions under the Master Services Agreement and the Loan Agreement exceed 5%, the Master Services Agreement, the Loan Agreement and the transactions contemplated thereunder are subject to reporting, announcement, Independent Shareholders' approval and annual review requirements pursuant to Chapter 14A of the Listing Rules. Appropriate disclosure of the above transactions will be made in the next published annual report and accounts of the Company in accordance with the Listing Rules.

The EGM will be convened and held for the Independent Shareholders to consider, and if thought fit, to approve, among other things, the Master Services Agreement, the Loan Agreement, the transactions contemplated thereunder and the relevant proposed annual caps by the Independent Shareholders. As any Shareholders who are involved in or interested in the Master Services Agreement, the Loan Agreement and the transaction contemplated thereunder are required to abstain from voting on the relevant ordinary resolution(s) approving the Master Services Agreement, the Loan Agreement and the transactions contemplated thereunder, each of Mr. Chen, Mr. Yu, CSPT, the relevant directors of CSPT and their respective associates will abstain from voting on the relevant ordinary resolution(s) to be proposed at the EGM.

The Independent Board Committee, comprising Mr. Siu Siu Ling, Robert, Mr. Tam Tak Wah and Mr. Zheng Zongjia, being all the independent non-executive Directors, has been established to advise the Independent Shareholders as to (i) whether the Master Services Agreement and the Loan Agreement were entered into in the ordinary and usual course of business of the Group; (ii) whether the terms of the Master Services Agreement, the Loan Agreement and the proposed annual caps are on normal commercial terms; and (iii) whether they are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in these regards.

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of us. In the last two years, we have acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to the refreshment of the general mandate to issue shares (details of which were set out in the circular of the Company dated 13 October 2017). Apart from normal professional fees paid or payable to us in connection with such appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other party to the transactions, therefore we consider such relationship would not affect our independence.

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## LETTER FROM VEDA CAPITAL

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### **BASIS OF OUR ADVICE**

In formulating our opinion and advice, we have relied upon accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statements in the Circular misleading. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and the management of the Company.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE MASTER SERVICES AGREEMENT**

In giving our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Mater Services Agreement and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

#### **I. Background information on the Group**

##### ***1. Principal business***

The Group is principally engaged in (i) securities trading and investment; (ii) provision of financing services; (iii) investment property in Hong Kong; (iv) e-commerce business; and (v) trading business and related services.

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## LETTER FROM VEDA CAPITAL

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### 2. *Financial information of the Group*

Set out below is the summary of the Group's audited consolidated statement of income and consolidated balance sheet for the years ended 31 December 2016 and 31 December 2017 as extracted from the Company's annual report for the year ended 31 December 2017 (the "2017 Annual Report"):

#### *Summary of consolidated statement of income*

	<b>For the year ended 31 December</b>	
	<b>2016</b>	<b>2017</b>
	<i>HKD'000</i>	<i>HKD'000</i>
	(audited)	(audited)
Net realised gain from securities trading and investments	–	22,852
Revenue	78,369	86,599
Profit before income tax	128,063	468,234
Profit for the year	97,451	481,839

As stated in the 2017 Annual Report, the Group recorded a revenue of approximately HKD86.60 million for the year ended 31 December 2017, representing an increase of approximately 10.50% as compared with a revenue of approximately HKD78.37 million for the year ended 31 December 2016. As advised by the Directors, the growth in total revenue for the year ended 31 December 2017 was mainly contributed by (i) the significant increase in the dividend income from securities trading and investments for the year ended 31 December 2017; and (ii) the interest income from provision of financing services.

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## LETTER FROM VEDA CAPITAL

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As disclosed in the 2017 Annual Report, the consolidated net profit attributable to owners of the Company for the year ended 31 December 2017 was approximately HKD481.84 million (equivalent to a profit of HKD6.77 cents per Share), representing an increase of 4.94 times to the consolidated net profit attributable to owners of the Company for the year ended 31 December 2016 of HKD97.45 million (equivalent to a profit of HKD1.61 cents per Share). As noted from the 2017 Annual Report, the increase in net profit attributable to owners of the Company was mainly attributed to increase in interest income from money lending business and profit from the segment of securities trading and investment which included net unrealised gain of held-for-trading investments at fair value through profit or loss and provision of finance services.

As stated in the 2017 Annual Report, the dividend income from securities trading and investments raised approximately 126.08% from approximately HKD0.56 million for the year ended 31 December 2016 to approximately HKD70.66 million for the year ended 31 December 2017, and the interest income from provision of financing services also experienced a substantial increase from approximately HKD1.19 million for the year ended 31 December 2016 to approximately HKD10.84 million for the year ended 31 December 2017.

For the financial year ended 31 December 2017, the Group recorded a net unrealised gain of investments at fair value through profit or loss of approximately HKD434.47 million while there was a net unrealised loss of approximately HKD43.14 million for the year ended 31 December 2016 and net unrealised gain of investments at fair value through reserve of approximately HKD26.79 million. Approximately 97% of the unrealised gain of investments of fair value through profit or loss were attributable to the Group's investment in securities of CMBC Capital Holdings Limited.

### *Summary of consolidated statement of financial position*

	<b>As at 31 December</b>	
	<b>2016</b>	<b>2017</b>
	<i>HKD'000</i>	<i>HKD'000</i>
	(audited)	(audited)
Non-current assets	308,142	476,719
Current assets	488,792	1,341,912
Current liabilities	168,414	301,685
Total equity	628,520	1,516,946

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## LETTER FROM VEDA CAPITAL

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The Group's non-current assets increased by approximately HKD168.58 million from approximately HKD308.14 million as at 31 December 2016 to approximately HKD476.72 million as at 31 December 2017, while the Group's current assets increased by approximately HKD853.12 million from HKD488.79 million as at 31 December 2016 to HKD1,341.91 million as at 31 December 2017. As noted in the 2017 Annual Report, such increase is due to the increase of held-for-trading investments of approximately HKD562.36 million and the increase of loan and interest receivables of approximately HKD264.51 million. As at 31 December 2017, the cash and bank balance of the Group is approximately HKD133.01 million which is 4.56 times to the cash and bank balance of the Group of HKD29.17 million as at 31 December 2016.

The Group's current liabilities increased by approximately HKD133.27 million from approximately HKD168.41 million as at 31 December 2016 to approximately HKD301.69 million as at 31 December 2017. As noted in the 2017 Annual Report, such increase was mainly attributable to the other borrowings of HKD149.76 million for the year.

### **II. Background information on CWSI**

CWSI is an indirect wholly-owned subsidiary of CSPT. It has obtained the stock exchange trading right (the rights and obligations under the Listing Rules for operating a brokerage business for products available on the Stock Exchange, using the trading facilities of the Stock Exchange which must be admitted and registered as an exchange participant) from the Stock Exchange and licenses from the Securities and Futures Commission of Hong Kong to carry out type 1 (dealing in securities) and type 4 (advising on Securities) regulated activities.

### **III. Reasons for and benefits of entering into of the Master Services Agreement**

As one of the major sources for the Group's revenue is from the investment and trading of securities business, the Group intends to utilise the Brokerage Services, the Margin Financing and the Corporate Finance Services to conduct its securities trading and investment in its ordinary and usual course of business. The Directors consider that the entering into of the Master Services Agreement and the subsequent provision of the Brokerage Services, the Margin Financing and the Corporate Finance Services provide the Group with more flexibility for its securities trading and investment and obtain financing to further strengthen its businesses or grasp potential business or investment opportunities.

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## LETTER FROM VEDA CAPITAL

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The Directors continue to (i) consider that securing a long-term business relationship with CWSI, given since December 2015, CWSI has been providing the Brokerage Services and the Margin Financing to Golden Horse; and (ii) expect the increased cooperation to contribute to the Group's revenue and profitability in the long run. In this regard, we note that investment and trading of securities business has been one of the major sources for the Group's revenue and as discussed above, the increase in net profit attributable to owners of the Company for the year ended 31 December 2017 was attributable to the significant increase in the revenue of securities trading and investment which included net unrealised gain of held-for-trading investments at fair value through profit or loss and provision of finance services. The revenue of the Group for the year ended 31 December 2017 comprised of (i) dividend income from securities trading and investments of approximately HKD70.66 million; (ii) interest income from provision of financing services of approximately HKD10.84 million; and (iii) interest income from other loan receivables of approximately HKD0.30 million, which represents approximately 94.46% of the total revenue for the year ended 31 December 2017. The dividend income segment comprises (i) cash dividend of approximately HKD42.76 million; (ii) distribution of approximately HKD22.67 million in form of listed shares of CSPT; and (iii) 21,796,320 shares of the Company of approximately HKD5.23 million from CMBC Capital Holdings Limited (stock code: 1141). The amount of distribution shares of approximately HKD22.67 million in form of listed shares of CSPT and of approximately HKD5.23 million in form of shares of the Company were classified under available-for-sale financial assets and the treasury shares in consolidated financial statements respectively.

As noted in the Board Letter, the Company also made reference to the outlook of the Hong Kong stock market. In our research through public official information to analyse the future of the stock market of Hong Kong, we noted from "Half-Yearly Economic Report 2017" published in August 2017 by Financial Secretary's Office, Government of the Hong Kong Special Administrative Region, the outlook of Hong Kong stock market continued to rally contributed by the factors of, including but not limited to, (i) a bullish market sentiment amid the improved global economic outlook and expectation of an only gradual pace of the United States' interest rate normalisation; and (ii) enhanced mutual capital market access between the Mainland China and Hong Kong (notable examples in recent years were the Shanghai-and Shenzhen-Hong Kong Stock Connect, the mutual recognition of funds arrangement with the Mainland China and the Bond Connect) which will further strengthen Hong Kong's position as an intermediary for capital flows between the Mainland China and international markets.

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## LETTER FROM VEDA CAPITAL

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According to the “HKEx Fact Book 2017”, which is updated on 28 March 2018 by the Stock Exchange, the most up-to-date publicly available official data released by the Stock Exchange, the total turnover value was approximately HKD21,709.16 billion in 2017 with an average daily turnover value of approximately HKD88,248.62 million, increased over 30% as compared to that of approximately HKD16,396.42 billion in 2016 with an average daily turnover value of approximately HKD66,924.18 million. As set out in “HKEx Fact Book 2013”, the total turnover value was approximately HKD13,267.51 billion in 2013 with an average daily turnover value of approximately HKD53,714.61 million which the compound annual growth rate of the total turnover value and the average daily turnover value for the 5 years period from 2012 to 2017 are 10.35% and 4.50% respectively. As noted in the most recent Stock Exchange’s monthly highlights in June 2018, the average daily turnover for the first half year of 2018 was HKD126.6 billion, an increase of 67% when compared with HKD76.0 billion for the same period last year. To the best of our endeavours, there is no official forecast released by the Stock Exchange to demonstrate the outlook of the stock market from 2018 onwards, however, we believe that the historical trend of the stock market in Hong Kong represents a general direction of the market, in particular the growth of the stock market, for the prediction of future movement of the stock market in 2018.

The Margin Financing provided by CWSI is to provide additional funding to the Company to perform securities trading in the market that involves borrowing a part of the sum needed from the broker executing the transaction which gives the Company trading flexibility and helps the Company grasp investment opportunities in the securities market for achieving higher potential returns. Since the funding granted under the Margin Financing can only be used for investment and trading of securities business, we concur with the Directors’ view that the purpose of obtaining the Margin Financing is for the ordinary course of business of the Group. Also, the Group intends to utilise the Corporate Finance Services to carry on its securities trading business for investment and trading of securities in its ordinary and usual course of business as well. With reference to the Board Letter, the transactions contemplated under the Master Services Agreement will contribute positively to the Group’s revenue, the Board considers that the terms of the Master Services Agreement are fair and reasonable and the entering into of the Master Services Agreement is in the interests of the Company and the Shareholders as a whole. As it would be (i) impracticable to negotiate for numerous agreements with CWSI, and (ii) costly and impracticable to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders as required by the Listing Rules, if necessary, the Directors are of the view that the Master Services Agreement will be beneficial to the Company and the Shareholders as a whole. We concur with the Directors in this regard.



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## LETTER FROM VEDA CAPITAL

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Although the Company did not have any fundraising plan in mind as at the Latest Practicable Date, the Corporate Finance Services provided by CWSI, including but not limited to, acting as a placing agent for equity or debt financings for the Company, is to provide buffer and flexibility for the Company to adjust its investment plan and to obtain financing which may assist the Group in a wide range of corporate transactions. The financing services under the Corporate Finance Services provided by CWSI may provide sufficient resources and financial flexibility to enable the Company to further capture investment opportunities in time in the market and to maximise Shareholders' returns in the securities market should the Group continue to focus on the development of securities trading and investments. On the other hand, for the previous Placings (as defined below), CWSI acted as the placing agent to introduce investors for the Shares of the Company which CWSI may have a stronger client network where the investors are interested in equity investment in the Group. The Group may leverage its business network to explore additional sources of income by introducing corporate clients and business partners to the Group in relation to securities trading and corporate finance services as well as maintaining the stability in the shareholding structure of Company could avoid the disruption in the Group's business operations since the potential investors will be introduced by CWSI under the Corporate Finance Services. Given that the securities trading and investments business depends on the performance of the Group's listed investments, the investment trading performance is therefore dependent on the short-term stock market sentiment which in turn is expected to remain volatile and highly susceptible to constantly varying and unpredictable economic factors such as interest rate movements, economic performance, inflation and liquidity. The Company will closely monitor the financial market from time to time and may react promptly to capture such opportunities when the Company considers that the returns on investments are optimised and therefore, the entering into of the Master Services Agreement would allow flexibility for the Group to further expand its business. Moreover, the annual caps for the Margin Financing and the Corporate Finance Services (including the underlying commission and interest rates charged to the Group) shall not exceed the maximum amount of the proposed annual caps (the discussion on the basis for determination of the proposed annual caps will be in the below section headed "1. Basis for the proposed annual caps").

Accordingly, the Directors (including the independent non-executive Directors who have considered the advice from the independent financial adviser) are of the view that there is no particular disadvantage in entering into of the Master Services Agreement, the terms of the Master Services Agreement (including the proposed annual caps) are fair and reasonable and are on normal commercial terms, and that the entering into of the Master Services Agreement is in the ordinary and usual course of business of the Group and is in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM VEDA CAPITAL

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Having considered that (i) the entering into of the Master Services Agreement would provide the Group with additional opportunity to maximise its revenue from the securities trading and investment business and commission and to broaden its financial source when the Group utilises the Brokerage Services, the Margin Financing and the Corporate Finance Services; and (ii) the entering into of the Master Services Agreement would allow flexibility for the Group to further expand in its securities trading and investment business, which is in line with the dedication of the Group in expanding its business, we are of the view that the entering into of the Master Services Agreement and the subsequent provision of the Brokerage Services, the Margin Financing and the Corporate Finance Services may assist the Group to develop its business of securities trading and investment and obtain financing to further develop its businesses, and are therefore of the opinion that the entering into of the Master Services Agreement is conducted in the ordinary and usual course of business of the Company, and is in the interest of the Company and the Shareholders as a whole.

#### IV. The Master Services Agreement

A summary of the principal terms of the Master Services Agreement is set out below:

**Date:** 25 April 2018 (after trading hours) (as amended and supplemented on 29 June 2018)

**Parties:** (i) the Company (contracting for the Group); and  
(ii) CWSI, an indirect wholly-owned subsidiary of CSPT.

**Provision of Services:** Pursuant to the Master Services Agreement, CWSI will provide: among others,

- (i) the Brokerage Services;
- (ii) the Margin Financing; and
- (iii) the Corporate Finance Services to the Group during the term of the Master Services Agreement.

The provision of the above services shall be subject to the terms and conditions of the standard client agreement of CWSI from time to time.

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## LETTER FROM VEDA CAPITAL

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In return, the Group will pay:

- (i) Brokerage Fees;
- (ii) interests for the Margin Financing; and
- (iii) service fees for the Corporate Finance Services (the “**Service Fees**”) to CWSI, respectively.

**Term:** From the date of the Master Services Agreement until 31 December 2020.

**Price Determination:** *The Brokerage Fees*

The Brokerage Fees shall be charged at 0.08% on the gross trade amount. Where CWSI has executed a purchase or sale transaction on the Group’s behalf, the Brokerage Fees shall be paid and settled within two business days after the trade day.

The Brokerage Fees was determined by the parties having considered the following factors:

- (i) The prevailing commission and fees charged by other independent brokers and securities companies for similar brokerage services. As the Group has been using brokerage services of three other independent brokers, it was and is able to compare the brokerage commission rates and fees for securities trading of these independent brokers with that of CWSI; and
- (ii) The fees and commission rate charged by CWSI for the same brokerage services, as shown on the website of CWSI.

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## LETTER FROM VEDA CAPITAL

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### *Interest for the Margin Financing*

The Group shall pay interest on all overdue balances in respect of the Margin Financing at the interest rate of 8% per annum on a daily basis, and such interest shall be repaid by the Group monthly. The facility is repayable on demand and may be varied or terminated in the absolute discretion of CWSI.

The interest rate offered by CWSI was determined after arm's length negotiations between the parties and shall be on normal commercial term taking into account the following factors:

- (i) The interest rates ranging from 6% to 9% per annum for similar margin financing arrangement, which have been offered to the Group in its three other margin financing agreements entered into with the Independent Third Parties. As some of these Independent Third Parties charge an application fee ranging from 1% to 3% of the Margin Financing amount in addition to the interest for the Margin Financing, the terms of obtaining the Margin Financing from CWSI (which does not charge any application fee of similar kind) were no less favourable than those offered by the aforesaid Independent Third Parties or others from which the Group has obtained quotations; and
- (ii) The interest rates offered by CWSI to independent clients for comparable engagement ranging from around 9.25% per annum to 12.25% per annum (depending on whether the client has the overdue amount within or beyond the marginable value), as shown on the website of CWSI; and

The Group will keep track of the pricing charged by CWSI regarding the Brokerage Services and the Margin Financing by reviewing the monthly statements issued by CWSI to the Group, and regularly compare to that charged by the three other independent service providers currently providing similar services to the Company on monthly basis. In the event that the pricing charged by CWSI regarding the Brokerage Services and the Margin Financing is found to be less favourable than that charged by the aforesaid independent service providers, the Group will refrain from using the services of CWSI.

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## LETTER FROM VEDA CAPITAL

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Considering that the Group will frequently conduct securities trading and investment, which is one of its principal businesses, the Directors take the view that (i) it would be commercially burdensome for the Group to compare the pricing charged by CWSI and the other independent service providers before each securities transaction; and (ii) by contrast, a monthly review on the pricing charged by CWSI and the other independent service providers by reviewing the relevant monthly statements will provide the Group with more flexibility and allow the Group to make comparison more efficiently.

### *Service Fees*

In respect of the Corporate Finance Services, should the need for fundraising activities arise and the Company decides to conduct placing in the future, the Company shall obtain quotation for acting as the placing agent or placing underwriter (as the case may be) from CWSI as well as at least two other independent service providers via phone calls or emails. The parties agreed that the quotation for the Service Fees from CWSI shall be determined after arm's length negotiations, and shall be on normal commercial term taking into account the following factors:

- (i) The then prevailing service fees for similar services in the market, with reference to the disclosure regarding placing or underwriting commission charged by financial services companies in the announcements of companies listed on the Stock Exchange;
- (ii) The quotations obtained by the Group from the other two independent service providers for similar services at the relevant time; and
- (iii) The fees charged by CWSI on independent clients for similar services at the relevant time.

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## LETTER FROM VEDA CAPITAL

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The Company shall compare the quotation from CWSI to those provided by other independent service providers and engage the service provider offering the most favourable terms to the Company. In the event that CWSI is appointed as the placing agent or the placing underwriter, the terms offered by CWSI shall be no less favourable than those offered by the other independent service providers.

The parties further agreed that the Service Fees shall be settled by way of deduction from the proceeds of the fundraising activities within seven days upon completion of such fundraising activities.

Having considered the above factors as a whole and after arm's length negotiations between the parties, the parties determined that the Service Fees to be charged to the Company should be comparable to the rates offered to other independent clients by CWSI and should be on normal commercial term.

The Directors confirm that the Group had not conducted any transactions under the Master Services Agreement after entering into of the Master Services Agreement and up to the Latest Practicable Date.

### ***Analysis of principal terms of the Master Services Agreement***

Since December 2015, CWSI has been providing the Margin Financing to Golden Horse, a direct wholly-owned subsidiary of the Company, from time to time. Granting of the Margin Financing by CWSI to the Group is for the ordinary and principal business of the Group which investment and trading of securities business has been one of the major sources for the Group's revenue as discussed above.

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## LETTER FROM VEDA CAPITAL

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### *Pricing policy*

In order to assess the fairness and reasonableness of the terms of the Master Services Agreement, we have discussed with the management of the Company and reviewed relevant documents with regard to (i) terms and conditions of the Master Services Agreement; (ii) pricing standards of the Brokerage Services in determining the Brokerage Fee; (iii) pricing standards of the Margin Financing in determining the margin financing interest rate charged by CWSI to the Company; and (iv) pricing standards for the Service Fees charged by CWSI to the Company (including but not limited to commission and fees for acting as placing agent or underwriter for the securities of the Company) shall be on normal commercial terms in accordance with market price and practice and at any event no less favourable as compared to other independent third parties.

The terms of the Master Services Agreement have been determined after arm's length negotiation between the parties, pursuant to which (i) the brokerage fees and other administration fees (the "**Brokerage Fees**") shall be based on the prevailing commission and fees charged by other independent brokers and securities companies for similar brokerage services and the fees charged by CWSI on independent clients for the same brokerage services; (ii) the interest rate in connection with the Margin Financing shall be determined based on normal commercial terms having taken into account, among others, the interest rates for similar margin financing arrangement offered to the Group by other Independent Third Parties and the interest rates offered by CWSI to independent clients for comparable engagement; and (iii) the Service Fees (as defined below) shall be determined based on normal commercial terms based on, among others, the prevailing service fees for similar services in the market, the quotations obtained by the Group from the other two independent service providers for similar services and the fees charged by CWSI on independent clients for similar services.

In regard to terms and conditions of the Master Services Agreement, it is under the terms of the Master Services Agreement that the Company is further subject to the terms and conditions of the standard client agreement entered into between the Company and CWSI since December 2015 (including but not limited to payment terms and default terms) from time to time.

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## LETTER FROM VEDA CAPITAL

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The Brokerage Services, the Margin Financing and the Corporate Finance Services to be provided by CWSI are all on a non-exclusive basis that they are under the terms of the Master Services Agreement. As noted in the Board Letter, the Group will keep track of the pricing charged by CWSI regarding the Brokerage Services and the Margin Financing by reviewing the monthly statements issued by CWSI to the Group, and regularly compare to that charged by the three other independent service providers currently providing similar services to the Company on monthly basis. In the event that the pricing charged by CWSI regarding the Brokerage Services and the Margin Financing are found to be less favourable than that charged by the aforesaid independent service providers, the Group will refrain from using the services of CWSI. Such measures are to ensure the quotations and terms offered by CWSI to the Company are in line with market standards and are no less favorable to the Group.

Accordingly, the amounts to be charged by CWSI against the Company will be on the same scale as those charged against the Group by Independent Third Parties (as the case may be) for similar transactions. The Group will keep track of the pricing charged by CWSI regarding the Brokerage Services by reviewing the monthly statements issued by CWSI to the Group and as discussed in the subsection headed “2. Internal control measures governing the Master Services Agreement”, the accounting department and the auditors of the Company will review the continuing connected transactions of the Group and report to the Board that if there is any issue come to their attention that causes them to believe that the Brokerage Services are not conducted in accordance with the pricing policy of the Group. Taking into account of the securities trading and investment is one of the Group’s ordinary principal businesses which the Group may continue to take place on a regular and frequent basis, we concur with the Directors’ view that it would be commercially burdensome for the Group to compare the pricing charged by CWSI and the other independent service providers before each securities transaction on a daily basis. The monthly review on the pricing charged by CWSI and the other independent service providers will provide the Group with more flexibility and allow the Group to make comparison more efficiently while at the same time there is an internal control measure to regularly monitor the terms offered by CWSI to the Company are in line with market standards and are no less favorable to the Group.



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## LETTER FROM VEDA CAPITAL

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For our due diligence purpose, we discussed with the Directors that the Company has been searching for the quotation of which has similar principal terms of the Brokerage Services under the Master Services Agreement in the relevant market. We have obtained the statements of the Company's securities accounts in other independent securities broking firms in Hong Kong and quotations from independent securities broking firms regarding the flat brokerage commission rate and fees for securities trading under the Stock Exchange from the Company, we noted that the flat brokerage commission rate and fees charged by other securities broking firms in the market are in a range of 0.1% to 0.2%. The commission rate of the Brokerage Fees of 0.08%, which is a term fixed in the Master Services Agreement, is far below the minimum commission rate as compared to the commission rates charged by other independent securities broking firms. Moreover, the pricing and payment terms quoted by the independent securities broking firms are similar with those agreed between CWSI and Company as the payment terms of securities transactions stated by the independent securities broking firms are paying on a transaction date plus two days. In light of above review, we consider that the Company has adopted and acted in accordance with its internal control measures for the Brokerage Services under the Master Services Agreement. Besides, we concur with the Directors' view that the internal control measures for the Brokerage Services under the Master Services Agreement can ensure that the Brokerage Services under the Master Services Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

According to the terms of the Master Services Agreement, the Group shall pay interest on all overdue balances in respect of the Margin Financing at the interest rate of 8% per annum on a daily basis, and such interest shall be repaid by the Group monthly. The facility is repayable on demand and may be varied or terminated in the absolute discretion of CWSI. As noted from the Board Letter, to ensure the interest rate offered to Group would be no less favourable to the Group than those offered by the Independent Third Parties, the Group has adopted, and will continue to adopt, a number of internal control and risk management measures. The principal terms (including the proposed annual caps and pricing standards for margin financing interest) in respect of the Margin Financing shall be (i) no less favourable than those offered by the aforesaid Independent Third Parties or others from which the Group has obtained quotations; (ii) as advised by the Company, prior to obtaining the Margin Finance, the designated staff of the accounting department of the Group (the "**Designated**

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## LETTER FROM VEDA CAPITAL

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Staff”) will conduct due diligence and assessment on whether the terms are in compliance with relevant credit policy and procedures of the Group and whether the terms are fair and reasonable; and (iii) 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 Master Services Agreement and where necessary, seek advice from professional parties such as legal advisers and/or auditor so that the Group can monitor the maximum daily outstanding amount of margin facilities provided by CWSI and will also be subject to annual review by professional parties.

For our due diligence purpose, we discussed with the Directors that the Company has been searching for brokerage firms which have similar principal terms of the Margin Finance under the Master Services Agreement. We obtained the historical agreements entered into between the independent securities broking firms in Hong Kong and the Company, we noted that the margin interest rate charged by the independent securities broking firms was in a range from 6% per annum to 9% per annum. However, the Independent Third Party which charged the margin interest rate of 6% required the Company to pay an arrangement fee (which was paid to the brokerage firms as an application fee for the margin facilities). As understood from the Directors, the arrangement fee charged by brokerage firms is non-refundable in whole or in part and irrespective whether or not the margin loan to be provided by the brokerage firms. However, for the Margin Financing to be provided by CWSI, there is no arrangement fee required to be paid by the Company in advance. Given that the arrangement fees is one of the conditions of granting the margin loans to the Group, taking into account of the arrangement fee charged by the Independent Third Parties (including the interest of the margin loans), the margin interest rates on the margin facilities provided by the Independent Third Parties represents an interest rate ranging from 8% per annum to 9% per annum.

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## LETTER FROM VEDA CAPITAL

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We have also confirmed with the management of the Company that there is no less preferential treatment towards the Company in relation to the Margin Financing to be provided by CWSI as compared with other clients of CWSI. We noted that the current annual interest rates chargeable for margin financing by CWSI offering to the public generally ranged from Chong Hing Bank Prime Rate plus 4% (approximately 9.25%) to 7% (approximately 12.25%) as stated in its official website depending on the circumstances whether the client has the overdue amount within or beyond the marginable value, whilst the margin financing interest rate chargeable to the Company is 8% per annum, which is even below the minimum interest rate charged by CWSI in the aforesaid range of margin financing interest rates to the public. As advised by the Company, the margin interest rate of 8% is due to the long-term business association between the Company and CWSI. Therefore, we are of the view that the Company are subject to the same or even more favourable standard terms which also bind other clients who are Independent Third Parties.

We also obtained and reviewed a full list of current margin clients of CWSI with (i) current and historical margin financing interest rates charged to them; and (ii) total current principal amount of the stock margin value maintained in their securities accounts with CWSI (the “**Sample Clients**”). The margin financing interest rate offered to Company is at a level comparable to those offered to other margin clients of CWSI who are Independent Third Parties, which is equal to 7.5% to 11.25% per annum. However, as noted in the Sample Clients, the margin financing interest of 7.5% being offered by CWSI is exceptional to certain clients which we have discussed with the Directors, it is likely to believe that the margin financing interest rate offered by CWSI of 7.5% is based on commercial negotiation between CWSI and its clients subject to factors such as the terms of cooperation and other conditions. Therefore, the margin interest rate of 7.5% is an unusual and exceptional rate offered by CWSI to its specific clients. We consider that the Sample Clients are fair and representative samples for us to assess the proposed margin financing interest rate to the Company. We noted that apart from the unusual and exceptional margin interest rate of 7.5% as discussed above, the minimum margin interest rate charged by CWSI was 8%, and the Company will compare to the margin interest rate charged by the three other independent service providers currently providing similar services to the Company on monthly basis. In the event that the pricing charged by CWSI regarding the Brokerage Services and the Margin Financing is found to be less favourable than that charged by the aforesaid independent service providers, the Group will refrain from using the services of CWSI, we concur with the Directors that the terms of margin interest rate of 8% for the Margin Financing (including but not limited to payment terms and default terms) will be no less favourable to the Group.

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## LETTER FROM VEDA CAPITAL

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In respect of the Service Fees, should the need for fundraising activities arise and the Company decides to conduct placing in the future, the Company shall obtain quotation for acting as the placing agent or placing underwriter (as the case may be) from CWSI as well as at least two other independent service providers via phone calls or emails.

In the event that the Company conducts placing in the future and CWSI is appointed as the placing agent or the placing underwriter, CWSI shall be entitled to a placing commission or underwriting commission with reference to the size, complexity and timing of subject transactions/services and the then prevailing market rates for comparable transactions with independent third parties. We noted that the fee for the Corporate Finance Services charged by other placing agents on the market and the principal terms thereunder should be based on different factors including (i) size of the funding; (ii) the then financial position of the Group; and (iii) the prevailing market condition at the time of fund raising to determine the fixed percentage of the monetary amount of the equity financing transaction to be arranged. Therefore, the fixed percentage varies a lot based on a fixed amount of pre-determined fee per project, depending on the size, complexity, timing of subject transactions or services.

Upon our enquiry, the Directors confirmed us that the Group will apply the same parameters in determining the fees charged by CWSI as compared to the fees charged by the Independent Third Parties. For example, the Group will make reference to the size, complexity and timing of subject transactions/services and the then prevailing market rates for comparable transactions with Independent Third Parties. For receiving corporate services from connected persons, the Directors advised us that the Group will request the connected persons to provide breakdown of the fee components (e.g. level of human and time resources and respective pricing) to examine whether the Corporate Finance Services are provided by the connected persons according to the above pricing policies. Should the need for fundraising activities arise and the Company decides to conduct placing in the future, the Company will obtain quotation for acting as the placing agent or placing underwriter (as the case may be) from CWSI as well as at least two other independent service providers via phone calls or emails. Having considered the pricing and internal control policy above, we are of the view that there is a proper measure to ensure the corporate finance transactions to be conducted on normal commercial terms which are no less favourable to the Group and no more favourable to the connected persons than those offered by the Independent Third Parties. Meanwhile, the quotation for the Service Fees from CWSI shall be determined

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## LETTER FROM VEDA CAPITAL

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after arm's length negotiations on normal commercial term after taking into account of the factor or the then prevailing service fees for similar services in the market, with reference to the disclosure regarding placing or underwriting commission charged by financial services companies in the announcements of companies listed on the Stock Exchange. Although the disclosure of placing or underwriting commission charged by financial services companies in the announcements of companies listed on the Stock Exchange represent the historical pricing information, we are of the view that the placing or underwriting commission demonstrates the most prevailing market practice by that time which serves as a reference in assessing the fairness and reasonableness of the commission rate. As the Corporate Finance Services to be provided by CWSI is on a non-exclusive basis, the general and transparent nature of the Service Fees under the Corporate Finance Services which the Company can compare prevailing service fees for similar services in the market, we are of the view that the internal control measures for the transactions contemplated thereunder the Master Services Agreement is practicable and fair and reasonable.

Given (i) the Brokerage Services, the Margin Financing and the Corporate Finance Services to be provided by CWSI are on a non-exclusive basis and in the event of the pricing charged by CWSI regarding the Brokerage Services, the Margin Financing and the Corporate Finance Services are found to be less favourable than that charged by the aforesaid independent service providers, the Group will refrain from using the services of CWSI; (ii) the Group will keep track of the pricing charged by CWSI regarding the Brokerage Services and the Margin Financing by reviewing the monthly statements issued by CWSI to the Group, and regularly compare to that charged by other independent service providers currently providing similar services to the Company on monthly basis; (iii) there are internal credit assessment and strict internal compliance policies under the internal control measures for the Brokerage Services, the Margin Finance and the Corporate Finance Services to be offered to the Company; and (iv) the provision of the Brokerage Services, the Margin Finance and the Corporate Finance Services are for the ordinary and usual course of business of the Group and will enable the Company to capture the potential business opportunities in the market, we are of the view that the terms of the Master Services Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM VEDA CAPITAL

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### V. Proposed annual caps for the Master Services Agreement

#### 1. Basis for the proposed annual caps

The proposed annual caps for (i) the Brokerage Fees; (ii) the maximum outstanding amount of the Margin Financing; (iii) the maximum interest amount of the Margin Financing; and (iv) the Service Fees for each of the period/years ending 31 December 2018, 2019 and 2020 are as follows:

	<b>From 6 August 2018 <sup>(Note)</sup> to 31 December 2018 HKD</b>	<b>For the year ending 31 December 2019 HKD</b>	<b>For the year ending 31 December 2020 HKD</b>
Brokerage Fees	1,180,000	2,900,000	2,900,000
Maximum outstanding amount of the Margin Financing	100,000,000	100,000,000	100,000,000
Maximum interest amount of the Margin Financing	3,250,000	8,000,000	8,000,000
Service Fees	8,110,000	20,000,000	20,000,000

*Note:* The expected date of granting approval of the transactions under the Master Services Agreement by the Independent Shareholders.

#### (a) Brokerage Fees

In terms of the basis and factors that have been taken into accounts to determine the annual caps for the maximum outstanding amount of Margin Financing, we noted that the proposed annual caps are determined having taken into account of, among others, (i) the historical maximum amount of the Brokerage Fees of approximately HKD1.1 million paid by Golden Horse to CWSI during the period from 1 January to 31 May 2018; and (ii) the anticipated future need for trading of securities by the Group in its business of securities trading and investment, taking into the account of the increase of the held-for-trading investments of approximately HKD310.3 million as at 31 December 2016 to approximately HKD872.6 million as at 31 December 2017 and the positive trend in the Hong Kong stock market contributing to an increasing use of the Brokerage Services for securities trading so that the Group will need the buffer of Brokerage Fees to provide more flexibility for its investment and trading activities via CWSI.

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## LETTER FROM VEDA CAPITAL

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In arriving at the above annual caps of the Brokerage Fee, the Company has made reference to the Group's historical record. During the period from 1 January 2018 to 31 May 2018, the Company had recorded the Brokerage Fees totaling HKD1.1 million. As the Company anticipates that its investment and trading securities business will remain stable for the second half of 2018, the historical record for the first half year of 2018 is an amount of approximately 93.2% to the proposed annual caps of the Brokerage Fee for the period from 6 August 2018 to 31 December 2018 of HKD1,180,000. For the years ended 31 December 2019 and 2020 of HKD2,900,000, the Company took into account the estimated amount of securities trading based on the financial year for the year ended 31 December 2018 and the Brokerage Fees of 0.08%. The Company takes a conservative view for the years ended 31 December 2019 and 2020 which the annual caps for the years ended 31 December 2019 and 2020 are set as the same as the year ended 31 December 2018 (which is the pro-rata amount to the proposed annual cap for the Brokerage Fee of HKD1.1 million for the period from 6 August 2018 to 31 December 2018), hence, we are of the view that the proposed annual cap for the period from 6 August 2018 to 31 December 2018 is fair and reasonable.

Furthermore, taking into account of the anticipated future need for trading of securities by the Group in its business of securities trading and investment, there is an increase of 2.8 times in the held-for-trading investments of approximately HKD310.3 million as at 31 December 2016 to approximately HKD872.6 million as at 31 December 2017. In the event that the Company disposes the held-for-trading investments of approximately HKD872.6 million as at 31 December 2017 in the market with the Brokerage Fee of 0.08%, the Company may incur an amount of approximately HKD697,600 and as discussed with the Director, after the disposal of held-for-trading investments of the Group, the Company may consider whether to acquire other securities in the market after receiving the proceeds from the disposal should the Company believes that there is a potential opportunity to enhance the returns of the shareholders of the Company business in the market, hence there is a "multiple effect" for the disposal of held-for-trading investments of the Group that the proceeds from the disposal of trading of held-for-trading investments of the Group may further trigger more acquisition of securities activities. Therefore, we consider that the Directors have already been prudent in determining the proposed annual caps based on the historical maximum amount of the Brokerage Fees of approximately HKD1.1 million paid by Golden Horse to CWSI during the period from 1 January to 31 May 2018 and we are of the view that the proposed annual caps for the Brokerage Service were set by the Directors after due and careful consideration and are fair and reasonable as the Independent Shareholders are concerned and in the interests of both the Company and the Shareholders as a whole.

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## LETTER FROM VEDA CAPITAL

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(b) *Margin Financing*

In terms of the basis and factors that have been taken into accounts to determine the annual caps for the maximum outstanding amount of Margin Financing, we noted that the proposed annual caps are determined having taken into account of, among others, (i) the percentage of the market value of the collaterals maintained in the securities account of Golden Horse with CWSI (the “**Margin Ratio**”), as may be determined by CWSI from time to time, based on the quality of such collaterals. Depending on the quality of different collaterals maintained by Golden Horse with CWSI, the Margin Ratio has been ranging from around 30% to 85% in general; (ii) the maximum amount of margin financing of approximately HKD58.8 million as at 30 January 2018 granted by CWSI and applied by Golden Horse, amid the prevailing bullish market sentiment of the Hong Kong stock market, and that CWSI provided short-term sufficient financial resources in the form of margin financing to the Group to enable the Group to capture investment opportunities in the market in time and in a flexible manner and to maximise Shareholders’ returns in the securities market; (iii) the Group’s perception on the securities market and its investment strategies; and (iv) a buffer to allow higher flexibility for the Group to conduct investment and trading activities in the future so as to grasp appropriate investment opportunities in the market, depending on the performance of the Hong Kong stock market. As noted in the announcement of the Company dated 25 April 2018, the maximum market value of listed securities maintained in the securities account of Golden Horse with CWSI was approximately HKD1.3 billion and the corresponding maximum margin value available to Golden Horse was approximately HKD482 million as at 30 January 2018.



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## LETTER FROM VEDA CAPITAL

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As at 31 December 2017, the Group held an investment portfolio with market value of approximately HKD1,066,124,000. (i.e. available-for-sale financial assets of approximately HKD193,504,000 and held-for-trading investment of approximately HKD872,620,000). We have discussed with the Directors and understood that the Margin Financing will be based on the Margin Ratio with the range of approximately 30% to 85% on the held-for-trading investments of approximately HKD872,620,000 held by the Group including the investments in various equities in Hong Kong which the Company may take up to 50% of the held-for-trading investments with the market value of approximately HKD436.31 million as collaterals maintained in the securities account of Golden Horse with CWSI. Based on the Margin Ratio of 30% which is the minimum Margin Ratio offered by CWSI, the Margin Financing may be up to HKD130.89 million which can justify the proposed annual caps for the Service Fees of HKD100 million.

We have obtained and reviewed monthly statements of Golden Horse's securities account with CWSI from December 2017 to March 2018, we noted that as at 31 January 2018, the maximum amount of margin financing of approximately HKD100.28 million was incurred in only one-month period in 2018, demonstrating that Golden Horse's stock investment value has been maintained at a comparable level to justify the proposed annual caps for the Margin Financing under the Master Services Agreement as well.

We further discussed with the Directors and noted that the Company entered into the agreements with similar principal terms of the Master Services Agreement in relation to the Margin Financing. We have further obtained three sample agreements entered into by Golden Horse with the Independent Third Parties from the Company for the margin financing from June 2017 to March 2018 and noted therefrom that the aggregate amount of the margin loans of the three sample agreements is approximately HKD278.0 million. The Margin Financing requested by the Company from other securities broking firm on the market were generally comparable to those offered by CWSI to the Company as mentioned in above. As advised by the Director, the aggregate amount of the margin loans obtained from the Independent Third Parties of approximately HKD278.0 million has been used up as at the Latest Practicable Date. The margin loans provided by the Independent Third Parties have been used up and the maximum outstanding amount of the Margin Financing only represents approximately 35.97% to the margin loans obtained by the Group from 2017 to 2018.

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## LETTER FROM VEDA CAPITAL

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Having considered (i) the value of listed securities maintained in Golden Horse's securities account with CWSI; and (ii) the provision of the Margin Finance can enhance the revenue of the Group; and the risk from the Margin Finance will be, on daily basis, monitor and record the outstanding amount of the Margin Financing and the related interests amount the Margin Financing may continue to take place on a regular and frequent basis and in the ordinary and usual course of business of the Group in the future. It would be impractical for the Group to strictly comply with the Listing Rules requirements regarding "connected transactions" on each occasion when it arises. Therefore, we are of the view that the adoption of the proposed annual caps for the Margin Financing is essential for the Group in ensuring the continued smooth operation of its business activities of the Group for the three years ending 31 December 2020, and we concur, that the proposed caps for the Margin Finance are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

On top of the proposed caps for the Margin Finance, as (i) the proposed caps for the Margin Finance have been determined based on the applicable margin value in the securities account of Golden Horse with CWSI; (ii) the maximum interest amount of the Margin Financing has been determined based on the proposed caps for the Margin Finance and the margin interest rate is considered to be fair and reasonable as discussed in the sub-section headed "Pricing Policy" above; and (iii) the margin financing interest rate to be charged thereon is no less favourable to the Group than the rates offered by the Independent Third Parties, we concur with the Directors that the proposed annual caps for the margin interest amount of the Margin Financing are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(c) *Service Fees*

As stated in the Board Letter, the proposed annual caps for the Service Fees were determined by reference to (a) the total amount of placing commission of approximately HKD11.6 million paid to CWSI, which acted as the placing agent in the placing of 400,000,000 Shares, 427,000,000 Shares and 1,630,000,000 Shares respectively conducted by the Company in the financial year ended 31 December 2017; and (b) the need for relevant corporate finance services from CWSI in relation to the possible fundraising activities of the Group in the future, such as acting as placing agent or underwriter for the securities of the Company.

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## LETTER FROM VEDA CAPITAL

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The Corporate Finance Services provided by CWSI is to provide buffer and flexibility for the Company to adjust its investment plan and to obtain financing which provide sufficient resources and financial flexibility to enable the Company to further capture investment opportunities in time in the market and to maximise Shareholders' returns in the securities market or property market. References are made to the announcements of the Company dated 26 July 2017, 31 August 2017 and 11 December 2017 in relation to the fund raising activities conducted by the Company during 2017, the Company has conducted three equity financing activities through placing by way of private placing of the placing Shares by CWSI to the respective placee(s) on the terms and subject to the conditions set out in each of the respective placing agreement (the "**Placings**"). The aggregate amount of the gross proceeds and net proceeds from the Placings are approximately HKD331.8 million and approximately HKD320.2 million respectively. The service fees for the Corporate Finance Services in 2017 is therefore approximately HKD11.6 million. During 2018, the Company has not conducted any equity fund raising activity and the general mandate approved at the annual general meeting on 31 May 2018 authorising the Directors to allot and issue Shares of up to 20% of the number of issued Shares of the Company as at the date of passing the relevant ordinary resolution at the annual general meeting. The total amount of placing commission of approximately HKD11.6 million paid to CWSI from the Placings is at a comparable level to justify the proposed maximum amount of Service Fees of HKD8.11 million for the period from 6 August 2018 to 31 December 2018.

The proposed annual cap for the Service Fees of HKD8,110,000 for the period from 6 August 2018 to 31 December 2018 is on a pro-rata basis and therefore, the proposed annual caps for the Service Fees of HKD20,000,000 for the years ended 31 December 2019 and 2020 are the same as for the period from 6 August 2018 to 31 December 2018. Based on our discussion with the management of the Group, the proposed annual caps for the Service Fees have also been estimated to a considerable extent based on the projections of the Group on securities trading investments and property investment business in the coming years, which indicate, among others, the future available liquidity as well as financing requirement of the Group. Such estimated future available liquidity and financing requirements are in turn influenced by the management's expectation on the market sentiment of the securities trading and property investment market in Hong Kong.

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## LETTER FROM VEDA CAPITAL

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As further set out in the announcements of the Company dated 7 August 2017, 18 September 2017 and 6 February 2018, the net proceeds from the Placings have been applied for repayment of margin loans and securities trading and investment business of the Group (as the case may be). We noted that the held-for-trading investments held by the Group was approximately HKD872.6 million as at 31 December 2017, representing an increase of approximately 2.8 times to the held-for-trading investments of approximately HKD310.3 million as at 31 December 2016 as set out in the 2017 Annual Report. As further noted in the annual report of the Company for the year ended 31 December 2016, the held-for-trading investments of the Group was approximately HKD310.3 million as at 31 December 2016, representing an increase of approximately 46.1 times as compared to the held-for-trading investments held by the Group of approximately HKD6.7 million as at 31 December 2015. The substantially high growth rate of the Group's held-for-trading investments value is at a level to justify the anticipated increase in the Corporate Finance Services to provide buffer and flexibility for the Company and obtain financing to enable the Company to further capture investment opportunities in time in the market.

With reference to the outlook of the Hong Kong stock market which we discussed in the above sub-section headed "Reasons for and benefits of entering into of the Master Services Agreement", the Hong Kong stock market continued to rally contributed by the factors of, including but not limited to, (i) a bullish market sentiment amid the improved global economic outlook and expectation of an only gradual pace of the United States' interest rate normalisation; and (ii) enhanced mutual capital market access between the Mainland China and Hong Kong (notable examples in recent years were the Shanghai-and Shenzhen-Hong Kong Stock Connect, the mutual recognition of funds arrangement with the Mainland China and the Bond Connect) which will further strengthen Hong Kong's position as an intermediary for capital flows between the Mainland China and international markets, we concur with the Directors' view that the Company is optimistic about the market condition in Hong Kong in the near future and expects there would be more dealing activities of securities or financing activities arising from the investments and business expansion of the Group, the proposed annual caps for the Service Fees can provide more flexibility for its need of financial supports via CWSI. Taking into account that the Company has taken a conservative view for the proposed annual caps of Service Fees for the years ended 31 December 2019 and 2020 which are the same as the period from 6 August 2018 to 31 December 2018 (on a pro-rate basis), we are of the view that the proposed annual caps for the Service Fees for the period from 6 August 2018 to 31 December 2018 and for the years ended 31 December 2019 and 2020 are fair and reasonable.

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## LETTER FROM VEDA CAPITAL

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### *2. Internal control measures governing the Master Services Agreement*

The following internal control procedures will be established to govern the Master Services Agreement:

- (i) In order to ensure that the proposed annual caps will not be exceeded, the designated staff of the accounting department of the Group (the “**Designated Staff**”) will:
  - (a) on daily basis, monitor and record the trading volume of the transactions in the securities account of the Group maintained with CWSI and the amount of the Brokerage Fees, and the outstanding amount of the Margin Financing and the related interests amount;
  - (b) prior to obtaining any Margin Financing, monitor the outstanding amount of the Margin Financing and the related interests amount;
  - (c) before conducting any fundraising activity via CWSI, check whether the Service Fees does not exceed the proposed annual cap, and keep proper record of the Service Fees thereafter; and
  - (d) report the status to the financial controller of the Group (the “**Financial Controller**”) on bi-weekly basis;
- (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 Master Services Agreement and where necessary, seek advice from professional parties such as legal advisers and/or auditor;
- (iii) The independent non-executive Directors will perform annual review pursuant to Rule 14A.55 of the Listing Rules on whether the transactions under the Master Services Agreement are conducted (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the Master Services Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and

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## LETTER FROM VEDA CAPITAL

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- (iv) The Company's auditor will confirm pursuant to Rule 14A.56 of the Listing Rules, among others, whether (a) the transactions under the Master Services Agreement have been approved by the Board; and (b) the transactions were entered into, in all material respects, in accordance with the Master Services Agreement governing the transactions; and (c) the proposed annual caps have not been exceeded.

The Group will also monitor the maximum daily outstanding amount of margin financing to be advanced by CWSI to the Group, as well as the relevant margin financing interest paid by the Group to ensure that the proposed annual caps for the Margin Financing and the margin interest under the Margin Financing would not be exceeded.

We have further reviewed the documentations setting out the aforementioned internal control procedures setting out the standard for supervising the pricing policy of the Group, and understand that such internal control procedures are applicable to entire range of products and services provided by the Group through the various front line business departments. Transactions with connected persons are specifically required to follow additional procedures, such as any relevant departments of the Company shall report to the Company Secretary for any unauthorised proposed connected transactions and for any pre-authorised connected transactions, the accounting department shall also report to the Company Secretary for the information which may be required to be disclosed in the annual report of the Company, whereby the level of approval is clearly stated in case of deviation from the standard pricing. We have also discussed with the management of the Group, which has confirmed that such internal control procedures have been formally adopted by the Group and generally implemented for all business departments. Given the above, we consider that the Group has set up a clear and hierarchical assignment of authority and responsibility in relation to the approval of the pricing of the continuing connected transactions with CWSI.

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## LETTER FROM VEDA CAPITAL

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The accounting department of the Group will also conduct assessment on the internal control measures for all continuing connected transactions of the Company at least annually (or more frequently if it is determined necessary) to ensure such internal control measures have been adhered to and are effective. The independent non-executive Directors will also conduct review on all continuing connected transactions every year and confirm that the transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the agreements governing them on terms that are fair and reasonable and in the interests of the Independent Shareholders as a whole. The Company also engages its independent auditor to report on all continuing connected transactions every year. The independent auditor review and confirm whether all continuing connected transactions have been approved by the Board were in accordance with the pricing policies of the relevant agreement governing the transactions; and have not exceeded the relevant annual caps, hence, we are of the view that the internal control procedures are sufficient in place to ensure every transactions contemplated under the Master Services Agreement will be conducted on normal commercial terms and fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Based on the above procedures and policies, the Board considers, and we concur with the Board, that there are adequate internal controls in place to ensure the transactions under the Master Services Agreement are conducted on normal commercial terms and not prejudicial to the interests of the Company and the minority Shareholders.

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## LETTER FROM VEDA CAPITAL

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### PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE LOAN AGREEMENT

In giving our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Loan Agreement and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

#### **I. Background information on the Group and Globally Finance**

Please refer to the section headed “Information of the Group and Globally Finance” in the Board Letter.

Globally Finance is a company incorporated in Hong Kong with limited liability and is a direct wholly-owned subsidiary of the Company. It is principally engaged in money lending and related business in Hong Kong and holds a valid Money Lenders License under the provisions of the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) to carry out its business.

#### **II. Background information on the CSPT Group**

CSPT 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 at the Latest Practicable Date, the Group (through its subsidiaries) is interested in 1,070,621,316 ordinary shares of CSPT, representing approximately 7.27% of the issued share capital of CSPT as at the Latest Practicable Date.

#### **III. Reasons for and benefits of entering into of the Loan Agreement**

As disclosed in the “Board Letter”, the Loan has been generating interest income to Globally Finance, the Company believes it as a good opportunity to obtain higher returns in terms of interest income for the Group by increasing the amount of the Loan Facility to up to HKD270 million. Having considered that (i) the grant of the Loan Facility to CSPT is in line with the ordinary and usual course of business of Globally Finance and is on normal commercial terms; and (ii) the interest rate under the Loan Agreement is relatively attractive as it is much higher than the interest rate for six-month fixed deposit in the banks in Hong Kong, the Company further believes that the advance of the Loan to CSPT represents an investment opportunity which is beneficial to the Company.



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## LETTER FROM VEDA CAPITAL

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In addition, given the risk in associated with the grant of the Loan Facility to CSPT is the potential default of repayment by CSPT, which the Directors believe is the only disadvantage in entering into of the Loan Agreement, the Group has adopted or will adopt internal control measures (the “**Internal Control Measures**”), details of which are set out in the section headed “Internal Control Measures Governing the Loan Agreement” in the Circular, to protect the interests of the Group and the Shareholders.

In view of the above factors and the Internal Control Measures, the Directors (including the independent non-executive Directors who have considered the advice from the independent financial adviser) consider that (a) the Loan Agreement (including the proposed annual caps) was entered into on normal commercial terms; (b) the terms of the Loan Agreement (including the principal amount, the interest rate and the proposed annual caps) are fair and reasonable; (c) the possibility of default of CSPT under the Loan Agreement is low and therefore the risks in associated with the grant of the Loan Facility to CSPT is relatively low; and (d) having taken into account of the stream of interest income expected to be derived from the Loan, the Loan Agreement is in the interests of the Company and the Shareholders as a whole.

As advised by the Directors, the Group’s surplus/unused cash resources are deposited with banks, earning interest at floating rates based on daily bank deposit rate which is approximately 0.001% per annum. On the contrary, the Group will be earning an interest income at the interest rate of 8% per annum by the provision of the Loan to CSPT, which is significantly higher than the daily bank deposit rate currently earned by the Group. In view of the above, the interest income earned from the provision of Loan Facility is substantially more than that of placing deposit in banks. In addition, we have searched six-month interest rate of three local banks with the deposit amounts being not less than HKD1 million, including Hang Seng Bank (0.05% per annum), Dah Sing Bank (0.25% per annum) and Bank of China (0.05% per annum), and concur with the management’s view that the interest rate of 8% per annum will provide more interest income to the Group as compared to the six-month fixed deposit in local banks. Comparing with the prevailing interest rate for time deposits being offered by banks to the public, the interest rate of 8% per annum under the Loan Agreement remains attractive. Whilst the Group has been earning higher returns by providing loan to a film production investor at an interest rate of 12% per annum the investment opportunity of which may not be easily identified and obtained by the Group, and the Directors believe that the interest rate of 8% under the Loan Agreement can generate considerable returns to the Company.

As money lending business is the ordinary and usual course of business of Globally Finance, the Company considers that the Loan Agreement will generate a stable interest income and offer a higher returns to the Group when comparing with the interest to be earned by making a Hong Kong dollar time deposit with financial institutions in Hong Kong (as discussed below). Therefore, we concur with the Directors’ view that higher interest rate will allow the Group to generate higher interest income to increase the returns to the Shareholders.

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## LETTER FROM VEDA CAPITAL

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In addition, as advised by the Directors, to the best of their information, belief and knowledge, there was no unresolved litigation against the CSPT Group regarding default of repayment of bank and other borrowings as at 31 December 2017. In accordance with the annual report of CPST, the Directors understood that (i) CSPT Group had charged on assets in the form of certain Hong Kong listed securities collectively held by two wholly-owned subsidiaries charged to secure a USD30 million term loan facility as at 31 December 2017; (ii) CSPT Group had pledged certain listed equity investments of approximately HKD1,925.74 million to secure the other loan as at 31 December 2017; and (iii) CSPT Group had pledged its investment properties with a carrying amount of approximately HKD830 million to secure the bank borrowing as at 31 December 2017. Although most of the assets of CSPT as at 31 December 2017 were under charges or pledges, the Directors consider that the effect of which could be mitigated by the factors such as (a) the net assets value of CSPT as at 31 December 2017 of HKD2,723.9 million; (b) the CSPT Group will have sufficient sources of income to repay the Loan; (c) the financial position and prospects of CSPT Group shows positive signs as well as the future prospects of the CSPT Group; (d) CSPT is a listed company and may conduct fundraising activities in the capital market and apply the proceeds for loan repayment should the need arise; and (e) the Directors are not aware of any material default by CSPT in loan repayment in the past, we concur with the Directors' view that the possibility of material default of CSPT in repayment of the Loan under the Loan Agreement is relatively low. Based on such scenario, we concur with the Board's assessment on the credibility of CSPT. In relation to the financial positions and performance, we have reviewed the annual reports of the CSPT Group and the discussion will be in below section headed "Analysis of principal terms of the Loan Agreement".

Taking into account that (i) the assets backing and credit assessment results of CSPT are satisfactory to the Group (as discussed below), (ii) the loan would be funded from the Group's temporarily idle funds, which would not affect the working capital or daily operation of the Group; (iii) the expected returns to be generated from the Loan would increase the Group's earnings, and (iv) the Internal Control Measures to further minimises the risks given that the Financial Controller regularly monitors the liquidity status of the Group and ensures that the Group has sufficient cash flow for its operation as well as assessing the credit risk of CSPT at each of the time a new loan is granted to CSPT, we are of the view that the transaction under the Loan Agreement is fair and reasonable and in the interests of the Company and its shareholders as a whole.

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## LETTER FROM VEDA CAPITAL

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A summary of the principal terms of the Loan Agreement is set out below:

**Date:** 7 September 2017 (as supplemented by the First Supplemental Loan Agreement on 19 September 2017 and the Second Supplemental Loan Agreement on 25 April 2018)

**Parties:** (1) Globally Finance as lender; and  
(2) CSPT as borrower

Globally Finance is a company incorporated in Hong Kong and is a direct wholly-owned subsidiary of the Company.

CSPT is a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 139).

**Facility amount:** HKD270,000,000

**Interest rate:** 8% per annum

**Availability Period:** the period commencing from the date of the Loan Agreement and ending on 31 December 2020 (the “**Availability Period**”)

**Repayment Date:** 31 December 2020 (or such earlier date as Globally Finance and CSPT may agree in writing) or such earlier date of repayment as demanded by Globally Finance (the “**Repayment Date**”).

The principal of Loans drawn under the Loan Facility and for the time being outstanding shall be repaid in full in one lump sum on the Repayment Date, whereas the interest on the aggregate principle amount outstanding under the Loans shall be paid by CSPT quarterly.

Globally Finance shall have the overriding right at any time by written notice to CSPT to demand early repayment of the Loan Facility drawn and all interest accrued thereon and CSPT shall within ten business days from the date of such notice repay the Loan(s).

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## LETTER FROM VEDA CAPITAL

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CSPT shall be entitled to prepay the whole or any part of the Loan with the prior written approval of Globally Finance.

The Loan Facility is revolving in nature and any Loan amount(s) prepaid or repaid in accordance with the terms of the Loan Agreement may be redrawn by CSPT under the Loan Facility during the Availability Period provided that the outstanding principal amount of the Loan drawn under the Loan Facility shall not exceed HKD270,000,000.

**Conditions precedent:** The obligation of Globally Finance to advance Loan(s) to CSPT under the Loan Agreement shall be subject to the fulfillment of the following conditions:

- (i) all necessary approvals, consents, authorisations and licenses in relation to the transactions contemplated under the Loan Agreement having been obtained;
- (ii) all representations and warranties made by CSPT in the Loan Agreement or in connection therewith shall be true and correct with the same effect as made on and as of the relevant drawdown date(s) with reference to the facts and circumstances then subsisting;
- (iii) no event of default shall have occurred;
- (iv) Globally Finance having received such other documents, evidence and financial and other information relating to any matter contemplated under the Loan Agreement as Globally Finance may require; and
- (v) the passing of necessary resolutions by the Independent Shareholders at the EGM to be held and convened to approve, confirm and ratify the Loan Agreement and the transactions contemplated thereunder.

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## LETTER FROM VEDA CAPITAL

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**Default:** If CSPT defaults in repayment on the due date of any sum, interest or other amounts payable under the Loan Agreement, it shall pay interest on such overdue sums from the due date until payment in full (before and after judgment) at the rate of 8% per annum (“**Default Interest**”). Globally Finance may serve a written notice to CSPT after the Repayment Date confirming the total amount of the Default Interest, and CSPT shall settle the Default Interest in full within ten (10) Business Days upon receipt of such notice.

The Group will finance the Loan Facility with its internal resources.

As confirmed by the Directors, during the term of Original Loan Agreement, the First Supplemental Loan Agreement and the Second Supplemental Loan Agreement, no event of default has occurred.

Pursuant to the Second Supplemental Loan Agreement, the completion of the Second Supplemental Loan Agreement is conditional upon, among other things, the approval by the Independent Shareholders. Other terms and conditions precedent to drawdown are customary, in the view of the Directors, for facilities of this type.

#### IV. The proposed annual caps for the Loan Agreement

##### 1. *Basis for the proposed annual caps for the Loan Agreement*

Under the Loan Agreement, the proposed annual caps for the maximum principal amount outstanding and the maximum interest amount in relation to the Loan for each of the period from the expected drawdown date upon fulfillment of the conditions precedent to 31 December 2018 and the two years ending 31 December 2020 are as follows:

	<b>From 6 August 2018 <sup>(Note)</sup> to 31 December 2018 HKD</b>	<b>For the year ending 31 December 2019 HKD</b>	<b>For the year ending 31 December 2020 HKD</b>
Maximum principal amount outstanding	270,000,000	270,000,000	270,000,000
Maximum interest amount	8,760,000	21,600,000	21,600,000
Proposed annual caps	278,760,000	291,600,000	291,600,000

*Note:* The expected drawdown date upon fulfillment of the conditions precedent set forth above.

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## LETTER FROM VEDA CAPITAL

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With reference to the Board Letter, the Directors have considered the following factors to determine the proposed annual caps:

- (i) The historical transaction amounts of the Loan provided to CSPT by Globally Finance since September 2017. No loan had been granted to CSPT by Globally Finance prior to the entering into of the Original Loan Agreement on 7 September 2017. For the year ended 31 December 2017, the maximum principal amount outstanding was HKD150 million and the maximum interest amount was approximately HKD2.70 million; and
- (ii) The aggregate principal amount outstanding under the Loan to be granted by Globally Finance to CSPT and the annual interest payable under the Loan Agreement, based on the assumption that CSPT will borrow up to HKD270 million for each of the above periods respectively. Pursuant to the Loan Agreement, it was agreed that CSPT shall pay interest on the aggregate principal amount outstanding under the Loan quarterly at the interest rate of 8% per annum.

As further noted from the Broad Letter, we noted that the interest rate under the Loan Agreement was agreed by the parties after arm's length negotiations having taken into account the following factors:

- (i) The prevailing range of market interest rates and practices that interest rates offered by licensed money lenders are generally higher than those offered by licensed banks. Currently, to the best of the Directors' information, belief and knowledge, the interest rate offered by licensed bank for comparable amount of loan is around 5% per annum. The interest rate offered by Globally Finance shall be higher than that offered by licensed banks and in line with such market practice;
- (ii) The interest rates ranging from 8% to 12% per annum in respect of the two sums of loans provided by the Group to a film production investor, which is a connected person, during the year ended 31 December 2017. The Group intended to adopt consistent lending policies in its loan arrangements and therefore apply an interest rate in the Loan Agreement within the range of interest rates applied in its other existing loan arrangements; and
- (iii) The lending policy of Globally Finance, which in general offers an interest rate of 8% per annum in its loan arrangements with individuals who are Independent Third Parties.

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## LETTER FROM VEDA CAPITAL

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### *2. Analysis of principal terms of the Loan Agreement*

CSPT Group became a substantial shareholder of the Company after the completion of the acquisition of Goodview Assets Limited on 25 April 2018, and the Loan Agreement only then became a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Accordingly, there is no historical annual cap amount for the Loan Agreement prior to the completion of the acquisition of Goodview Assets Limited on 25 April 2018.

#### *Pricing policy*

In order to assess the fairness and reasonableness of the terms of the Loan Agreement, we have discussed with the management and reviewed the relevant documents in relation to (i) the terms conditions of the Loan Agreement; (ii) the historical transaction amounts of Loan provided to CSPT by Globally Finance since September 2017 and the maximum amount granted to CSPT for the year ended 31 December 2017; (iii) the assumption that CSPT will borrow up to HKD270 million for each of three years ended 31 December 2020; (iv) the basis for the interest rate of 8% per annum under the Loan Agreement charged to CSPT shall be on normal commercial terms in accordance with credit policy of Globally Finance and at any event no less favourable as compared to other Independent Third Parties; and (v) Internal Control Measures in relation to governing the transactions contemplated under the Loan Agreement.

We noted from the Board Letter that no loan had been granted to CSPT by Globally Finance prior to the entering into of the Original Loan Agreement on 7 September 2017. According to the announcement of the Company dated 7 September 2017, the original loan facility granted to CSPT by the Company was HKD35 million with the interest rate of 8% per annum for a term of three years. On 19 September 2017, the Original Loan Agreement was supplemented and the amount of loan facility was increased to HKD150 million, which was financed by (i) the net proceed from placing of 427,000,000 new Shares announced in the announcements of the Company dated 31 August 2017 and 18 September 2017; and (ii) the net proceeds of approximately HKD57.6 million which was originally intended to be used for securities trading and investment. On 25 April 2018, the amount of the Loan Facility was further increased to HKD270 million with the interest rate of 8% per annum based on the assumption that CSPT will continue to borrow the entire principal amount of HKD270 million in 2018, 2019 and 2020 (being the entire loan period under the Loan Agreement). As advised by the management of the Company, such basis and the terms under the Loan Agreement were agreed by the parties after arm's length negotiations

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## LETTER FROM VEDA CAPITAL

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with both parties after having taken into account the prevailing range of market interest rates and practices, the financial position and prospects of CSPT Group and the credit policy of Globally Finance.

We noted that the proposed annual cap for the period from 6 August 2018 to 31 December 2018 of approximately HKD278.76 million has been adjusted on a *pro rata* basis and the proposed annual caps for each of two years ended 31 December 2020 is HKD291.60 million. For the purpose to assessing the assumption that CSPT will borrow up to HKD270 million for each of three years ended 31 December 2020, we have understood from the management of the Company that (i) CSPT has already drawn down the entire loan amount under the Original Loan Agreement; (ii) the interest rate of 8% per annum has been assumed to be a per annum interest rate for the relevant periods under the proposed annual caps; and (iii) the future prospects of CSPT Group are positive (details of which are set out as below). In addition, we are further advised that the provision of Loan enables the Group to enhance its profitability and maximise the Shareholders' returns (details of which are set out below) with reference to the cash flow forecast taking into account the idle cash from previous fund raising activities and/or unutilised banking facilities available within the Group during the term of the Loan Agreement.

As advised by the management of the Company, money lending business is one of the principal businesses of the Group. We have accordingly reviewed the respective annual reports of the Group for each of three years ended 31 December 2017 and noted that (i) the Group recorded the revenue derived from provision of financing services of approximately HKD10.84 million for the year ended 31 December 2017, representing over 8 times as compared to that of approximately HKD1.19 million for the year ended 31 December 2016 and that of HKD1.17 million for the year ended 31 December 2015 respectively; and (ii) the proportion of revenue contributed by provision of financing services reached to approximately 12.52% in 2017 as compared to that of approximately 2.85% in 2015, followed by the revenue derived from dividend income from securities trading and investment, which is the most significant source of income of the Group. Therefore, we believe that the revenue generated from provision of financing services has become one of the Group's principle income sources, and a higher interest will enable the Group to generate more interest income.



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## LETTER FROM VEDA CAPITAL

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Given abovementioned and limited information of daily bank deposit rate is available on the internet, we have searched daily bank deposit rate of two local banks, including HSBC (0.001% per annum) and Bank of China (Hong Kong) (0.02% per annum) (HKD500,000 or above) as reference, and noted that the average daily bank deposit rate is approximately 0.006% per annum, which is significantly lower than that of 8% per annum under the Loan Agreement. We have also searched six-month interest rate of other three local banks with the deposit amounts being not less than HKD1.0 million, including Hang Seng Bank (0.05% per annum), Dah Sing Bank (0.25% per annum) and Bank of China (0.05% per annum), and concur with the management's view that the entering into of the Loan Agreement will provide more interest income to the Group as compared to interest income derived from the daily bank deposit/six-month fixed deposit in local banks, so as to maximise the returns of the Shareholders. Therefore, we believe that provision of the Loan Facility will effectively utilise the Group's cash and the interest income derived from Loan Agreement will have positive impact on financial performance of the Group.

In relation to the basis for determination of the interest rate of 8% per annum under the Loan Agreement, we noted from the Board Letter that such interest rate was agreed after taken into accounts that (i) prevailing range of market interest rates and practices that interest rates offered by licensed money lenders are generally higher than those offered by licensed banks, to the best of the Directors' information, belief and knowledge, the interest rate offered by licensed bank for comparable amount of loan is around 5% per annum, the interest rate offered by Globally Finance shall be higher than that offered by licensed banks and in line with such market practice; (ii) the interest rates ranging from 8% to 12% per annum in respect of the two sums of loans provided by the Group to a film production investor which is a connected person during the year ended 31 December 2017, and the Group intends to adopt consistent lending policies in its loan arrangements and therefore apply an interest rate in the Loan Agreement within the range of interest rates applied in its other existing loan arrangements; and (iii) the lending policy of Globally Finance, which in general offers an interest rate of 8% per annum in its loan arrangements with individuals who are Independent Third Parties. Such measures are to ensure the Loan Agreement shall be entered into on normal commercial terms and are no less favorable to the Group than rates at which the Group charges to the Independent Third Parties for similar transactions.

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## LETTER FROM VEDA CAPITAL

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As advised by the Directors, interest rates offered by licensed money lenders are generally higher than those offered by licensed banks. For our due diligence purpose, we have searched prime rate of 5 local banks, including HSBC (5.0% per annum), Hang Seng Bank (5.0% per annum), Dah Sing Bank (5.25% per annum), Bank of China (5.0% per annum) and Industrial and Commercial Bank of China Limited (Asia) (5.25% per annum) and noted that the average prime rate of 5.10% per annum as at the Latest Practicable Date. In order to assess market interest rates offered by licensed money lenders, we have also researched 4 licensed money lenders in relation to interest rates for personal loans as reference, including National Resources Properties Mortgage Limited (not lower than 8% per annum), Aeon (not lower than 9.10% per annum to 45% per annum); Promise (4.49% per annum to 59.26% per annum) and UA Finance (approximately 30% per annum). Given abovementioned, we believe interest rates offered by licensed money lenders are generally higher than those offered by licensed banks.

As further noted from the Board Letter, for the purpose to adopt consistent lending policies in loan arrangements of the Group, the Director have considered interest rates of 8% per annum and 12% per annum under the loan agreements dated 21 September 2017 and 11 October 2017, respectively, in relation to the provision of loans to a film production investor, which is a connected person (the “**Film Production Loan Agreements**”). We have accordingly obtained and reviewed the Film Production Loan Agreements. The interest rate under the first Film Production Loan Agreements dated 21 September 2017 is 8% per annum with a guaranteed upside return, which is calculated on a certain percentage of received or receivable by the film production investor after less all direct costs incurred in connection to provision of distribution service in the film, while the interest rate under second Film Production Loan Agreement dated 11 October 2017 is 12% per annum without upside return. As advised by the management of the Company, such difference of interest rates under Film Production Loan Agreements is mainly due to the upside return, and the Group would like to adopt the consistent lending policy in Loan Facility of approximately 8% per annum, which is at the similar level as compared to interest rate offered to other Independent Third Parties.

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## LETTER FROM VEDA CAPITAL

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In addition, given Globally Finance generally offers interest rate of 8% per annum for loan arrangements to other Independent Third Parties, we have also obtained and reviewed all sample loan facility letters (the “**Sample Facility Letters**”) entered into by Globally Finance (as the lender) with the Independent Third Parties (as the borrower) in relation to the loan receivables during the financial year 2017 to further assess whether the Loan’s borrowing rate was comparable to the borrowing rates to the Independent Third Parties. As noted from the Sample Facility Letters, the interest rate under each of the Sample Facility Letters is 8% per annum, which is equivalent to the interest rate for the Loan Facility. As the Sample Facility Letters reviewed by us included the normal and principal terms of the money lending business by the Group, we consider the Sample Facility Letters are fair and representative enough and hence we believe the interest rate of 8% per annum under the Loan Agreement is no less favorable to the Group than rates at which the Group charges to the Independent Third Parties for similar transactions.

We noted that CSPT Group is principally engaged in trading and distribution of electronic and accessory products and other merchandise, financial investments and trading and money lending business. For the period from 1 April 2017 to 31 December 2017, CSPT Group recorded the revenue generated from financial investment and services amounted to HKD185.49 million and the brokerage and commission income of HKD38.97 million as compared a loss of HKD54,653,000 for the year ended 31 March 2017 as set out in the annual report of CSPT for the year ended 31 December 2017 (the “**CSPT 2017 AR**”). We also understood from the CSPT 2017 AR that Hong Kong will benefit from the increasing demand for the financial investments and business services after (i) the implementation of the belt and road initiative, (ii) the development of Guangdong-Hong Kong-Macau Greater Bay Area; and (iii) the launch of the Shanghai-HK Stock Connect, Shenzhen-HK Stock Connect and the HK-China Bond. Moreover, the CSPT Group will also be benefit from the support from the Fintech Facilitation Office of the Hong Kong Monetary Authority and other government regulatory bodies and their determinations to promote Hong Kong as a financial technology hub in Asia.

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## LETTER FROM VEDA CAPITAL

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In order to further assessing the future prospects of CSPT Group, we have researched on the website of Hong Kong Trade Development Council (<http://www.hktfdc.com/tc-supplier/>) (the “**HKTDC**”) and noted from an article namely “Economic and Trade Information on Hong Kong” published on 28 June 2018 that the Hong Kong’s economy expanded generally by 4.7% year-on-year in real terms in the first quarter of 2018, after growing from 2.2% in 2016. The Government forecasts Hong Kong’s economy to grow by 3% to 4% in 2018. We also noted from “First Quarter Economic Report 2018” published by the Government of Hong Kong SAR on 11 May 2018 that, given the global economy maintaining its broad-based momentum, there was strong external demand for Hong Kong’s exports, which grew robustly in the first quarter, and Hong Kong’s economy for the first quarter in 2018 grew notably by 4.7% in real terms over a year earlier, up from 3.4% growth in the preceding quarter, marking the sixth consecutive quarter of growth above the trend growth rate of 2.7% per annum in the past ten years, representing the positive prospects of Hong Kong’s economy.

Furthermore, due to Hong Kong’s unique role as international financial centre, the development of Guangdong-Hong Kong-Macau Bay Area (the “**PRD Bay**”) will also bring about new opportunities for the Hong Kong in the years to come. We noted from an article namely “Development Prospects for Guangdong-Hong Kong-Macau Bay Area and the Role of Hong Kong” published on 25 July 2017 by HKTDC that, in connection of the development of PRD Bay, HKTDC believes action should be taken as soon as possible to map out plans taking advantage of Hong Kong’s strengths in financial services, professional services and international ties in order to enhance co-operation with Guangdong as well as to explore new horizons and add new vitality to the sustainable growth and prosperity of Hong Kong. The PRD Bay has the unique advantage of encompassing the role, international financial centre of Hong Kong, in of Hong Kong in the PRD Bay to create “one-hour economic circle”.

Save for abovementioned, Hong Kong Government believes “Belt and Road” Initiative is a new engine for Hong Kong’s economic development, as referred to “2017 Oct Policy Address (Extract)” published by the Hong Kong Government on October 2017 (<http://www.beltandroad.gov.hk/pa201710.html>). Therefore, the Hong Kong Government has launched a series of supportive policies, such as, the entering of Free Trade Agreement with Association of Southeast Asian Nations in November 2017, and the launch of Professional Services Advancement Support Scheme to support exchange and cooperation between Hong Kong’s professional services providers and their overseas counterparts, including those in the countries in “Belt and Road” Initiative. Therefore, apart from the launch of the Shanghai-HK Stock Connect, Shenzhen-HK Stock Connect and the HK-China Bond in July 2017, it is expected that Hong Kong will benefit from the increasing demand for the financial investments and

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## LETTER FROM VEDA CAPITAL

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business services with the implementation of PRD Bay and the launch of “Belt and Road” Initiative, thereby we concur with the Directors’ view that CSPT Group will have a positive prospect in the future.

Payment terms under the Loan Agreement shall be the principal of the Loans drawn under the Loan Facility and for the time being outstanding shall be repaid in full in one lump sum on the Repayment Date, whereas the interest on the aggregate principal amount outstanding under the Loans shall be paid by CSPT quarterly. We have reviewed the Sample Facility Letters and noted that the payment terms under the Loan Agreement is align with the payment terms of the Sample Facility Letter entered into by Globally Finance (as the lender) with the Independent Third Parties (as the borrower) which outstanding shall be repaid in full in one lump sum on the repayment date thereunder the Sample Facility Letter, whereas the interest on the aggregate principal amount outstanding under the loans shall be paid by the Independent Third Parties quarterly as well. Besides, the Company has adopted internal control measures and policies in respect of the Loan Agreement to provide an effective framework for strong corporate governance and risk management, including but not limited to, (i) the Financial Controller will assess the credit risk of CSPT at each of the time a new loan is granted to CSPT, by reviewing the latest publicly available financial information of CSPT and discussing with the management of CSPT; and (ii) the Financial Controller will report to the Directors (including the independent non-executive Directors) on half-yearly basic in relation to the status of the transaction contemplated under the Loan Agreement, including outstanding loan balances, interests and any event of default, the interest on the aggregate principal amount outstanding under the Loans to be paid by CSPT quarterly can allow the Financial Controller to monitor the credit risk of CSPT in a regular basis, we concur with the Directors’ view that the payment of interest on the aggregate principal amount outstanding under the Loans quarterly is an effective way to monitor the credit risk of CSPT on a timely manner and the payment terms under the Loan Agreement is fair and reasonable, on normal commercial terms or better, no less favourable to the Company and in the interest of the Company and the Shareholders as a whole.

Given the only disadvantage regarding the entering into of the Loan Agreement is the potential default of repayment by CSPT, the Company has accordingly evaluated the risks in associated with the grant of the Loan Facility to CSPT and assessed the financial performance of CSPT Group for the financial year ended 31 March 2017, for the six months ended 30 September 2017, and for the period from 1 April 2017 to 31 December 2017, respectively.

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## LETTER FROM VEDA CAPITAL

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As noted from the Board Letter, based on (i) the annual report of CSPT Group for the financial year ended 31 March 2017, (ii) the interim report of CSPT Group for the six months ended 30 September 2017 and (iii) the annual report of CSPT Group for the period from 1 April to 31 December 2017, the Directors noted that the respective net assets value of the CSPT Group as at 31 March 2017, as at 30 September 2017 and as at 31 December 2017 was able to cover the maximum principal amount and maximum interest amount of the Loan, and thereby have believed that CSPT Group will have sufficient sources of income to repay the Loan. In addition, to best of the Directors' knowledge and information, the Directors are not aware of any material default by CSPT in loan repayment in the past that the credit and default risks shall be relatively low, and as at the Latest Practicable Date, the payment on the interest of the loan granted to CSPT Group has been made on time and no default in loan repayment has been occurred since the granting of loan. Therefore, the Directors are of the view that the default risk of CSPT in repayment of the Loan under the Loan Agreement is relatively low.

According to the annual report of CSPT for the year ended 31 March 2017, we noted that CSPT had no charges on assets. As further referred to the audited consolidated financial statements of CSPT Group for the financial year ended 31 March 2017, for the six months ended 30 September 2017 and for the period from 1 April to 31 December 2017, we noted that the net assets value of CSPT Group was approximately HKD1,315.6 million as at 31 March 2017, approximately HKD2,951.9 million as at 30 September 2017 and approximately HKD2,723.90 million as at 31 December 2017, respectively, each of which has exceeded the aggregate amount of the maximum interest amount and maximum principal outstanding amount of approximately HKD278.8 million for the period from 6 August 2018 to 31 December 2018 and HKD291.6 million for each of two years ending 31 December 2019 and 2020. Having considered that (i) each of the net assets of CSPT Group as at 31 March 2017, 30 September 2017 and 31 December 2017 is enough to cover the Loan Facility; and (ii) no default in loan repayment has been occurred, we concur the Directors' view that the default risk of CSPT in repayment of the Loan under the Loan Agreement is relatively low.

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## LETTER FROM VEDA CAPITAL

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There was loss recorded by CSPT Group of approximately HKD156.4 million for the year ended 31 March 2017, however, due to better performance of financial investments and services of CSPT Group in 2017, an unaudited profit of approximately HKD409.6 million for the six months ended 30 September 2017 and an audited profit of approximately HKD368.9 million for the period from 1 April to 31 December 2017 were recorded by CSPT Group. As further noted from the Board Letter, with the implementation of the Belt and Road Initiative, the development of Guangdong-Hong Kong-Macau Greater Bay Area and the launch of the Shanghai-HK Stock Connect, Shenzhen-HK Stock Connect and the HK-China Bond, Hong Kong will benefit from the increasing demand raised by the supportive policies for the financial investments and business services. Given abovementioned, the Directors are optimistic on the prospects of CSPT Group. Therefore, we consider the financial investments and services business of CSPT Group will be further developed by leveraging with the local supportive policies.

Having considered that (i) the entering into of the Loan Agreement is in line with the ordinary and usual course of the businesses of the Group; (ii) the provision of Loan will increase the revenue of the Group so as to improve the Group's profitability; (iii) the interest rates to be offered to CSPT is consistent with the lending policies of Globally Finance; (iv) the interest rate under the Loan Agreement is no less favourable to the Group than the rates offered to the Independent Third Parties; (v) the prospects of CSPT Group is positive; (vi) to the best of the Directors' information, CSPT has no material default in loan repayment in the past; (vii) the size of the proposed caps and the bases in which the Company has taken into account (i.e. the net assets value and the financial performance and outlook of CSPT Group) in determining the size of the proposed caps of the Loan Agreement are fair and reasonable; and (viii) the Internal Control Measures adopted by the Group to protect the interests of the Group and the Shareholders (as discussed below), we are of the view that the proposed annual caps for the Loan Agreement are fair and reasonable, and the granting of the Loan to CSPT Group is fairness and reasonableness as the Independent Shareholders are concerned.

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## LETTER FROM VEDA CAPITAL

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### ***3. Internal Control Measures to govern the Loan Agreement***

As referred to the Board Letter, given the Directors believe that the only disadvantage in entering into of the Loan Agreement is the potential default of repayment by CSPT, the Group has accordingly adopted the Internal Control Measures to monitor the transactions contemplated under the Loan Agreement and risks associate with such transactions. In order to ensure the effectiveness of the internal control procedures to govern the transactions contemplated under the Loan Agreement, we have obtained and reviewed the Internal Control Measures.

According to the Internal Control Measures, the Group has reviewed the documents (i.e. the past credit records, backgrounds and assets record) of CSPT in accordance with the credit policy of Globally Finance. When receiving the drawdown notice from CSPT, the Financial Controller accordingly will assess the cash position of the Group prior to granting the Loan Facility in order to ensure the sufficient cash flow of the Group for its operation. To assist the Financial Controller, the Designed Staff is also assigned to (i) monitor and record the status of outstanding loan balances and interest amount of the Loan Agreement on weekly basis and every time before approving CSPT's drawdown, and (ii) compare such results with the annual caps and report the relevant status to the Financial Controller on bi-weekly basis. Regarding the potential default risk, the Financial Controller will assess the credit risk of CSPT at each time when a new loan is granted to CSPT by reviewing the latest publicly available financial information of CSPT and discussing with the management of CSPT. After proper assessment on CSPT, the Financial Controller will report the status of the outstanding balances, interest amount and the default event to the Directors every half a year.

We have reviewed the Company's treasury policy document and discussed with the Financial Controller regarding the internal controls and procedures mentioned above, and we concur with the view of the management of the Company that there are appropriate internal controls and procedures in place to ensure that the provision of the Loan Facility will be conducted on normal commercial terms and in the interests of the Company and the Shareholders as a whole, we believe that there are appropriate procedures and arrangements to ensure that the continuing connected transactions contemplated under the Loan Agreement will be conducted on terms in compliance with the provisions of the Listing Rules on continuing connected transactions.



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## LETTER FROM VEDA CAPITAL

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Furthermore, we noted that, pursuant to Rule 14A of the Listing Rules, (i) the independent non-executive Directors shall, on an annual basis, review the transactions contemplated under the Loan Agreement and confirm, among other matter, such transactions are according to the Loan Agreement governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole; (ii) the auditors of the Company shall confirm that the transactions contemplated under the Loan Agreement have been approved by the Board, review the transactions under the Loan Agreement and confirm the annual caps have not been exceeded.

In addition to the above internal control procedures in relation to the provision of the Loan Facility, we also noted from the 2017 Annual Report that, the Company has established and maintained its own risk management and internal control systems, which have been designed for safeguarding assets against unauthorised use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. The Group has engaged an independent professional adviser (the “**Internal Control Adviser**”) to carry out internal audit functions by conducting an annual review of the effectiveness of the risk management and internal control systems for the year ended 31 December 2017. Such review is conducted annually. We concur with the Directors’ view that the Group therefore considered that its risk management and internal control processes are adequate to meet the needs of the Group in its current business environment.

Given the above, we consider that Internal Control Measures are appropriate and effective to ensure the transactions contemplated under the Loan Agreement will be conducted on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM VEDA CAPITAL

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### RECOMMENDATION

Having considered the above reasons, we are of the view that the terms of the Master Services Agreement and the Loan Agreement and the transactions contemplated thereunder (including the proposed annual caps) are entered into in the ordinary and usual course of business of the Group and on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM in this regard.

Yours faithfully,  
For and on behalf of  
**Veda Capital Limited**  
**Julisa Fong**  
*Managing Director*

*Ms. Julisa Fong is a licensed person under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 21 years of experience in investment banking and corporate finance.*

## 1. 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.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and chief executives' interests and short positions in Shares, underlying shares and debentures

As at the Latest Practicable Date, the interests and short positions of the Directors in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which: (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Capacity	Number of Shares or underlying Shares held	Approximate percentage of shareholding
Mr. Siu Yun Fat	Beneficial owner	132,800,000 <i>(Note 1)</i>	1.15%
Mr. Yu Qingrui	Beneficial owner	117,404,425 <i>(Note 2)</i>	1.01%
Mr. Cai Linzhan	Beneficial owner	96,289,144 <i>(Note 3)</i>	0.83%
Mr. Chen Xiaodong	Beneficial owner	1,005,313	0.009%
Mr. Tam Tak Wah	Beneficial owner	267,340	0.002%

*Notes:*

1. The interest comprises 68,800,000 Shares and 64,000,000 underlying Shares in respect of the share options granted pursuant to a share option scheme of the Company.
2. The interest comprises 53,404,425 Shares and 64,000,000 underlying Shares in respect of the share options granted pursuant to a share option scheme of the Company.
3. The interest comprises 32,289,144 Shares and 64,000,000 underlying Shares in respect of the share options granted pursuant to a share option scheme of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests or short positions in the Share, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which: (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

**(b) Substantial Shareholders' and other persons' interests in Shares and underlying Shares**

As at the Latest Practicable Date, so far as was known to the Directors or chief executives of the Company, the following persons (other than the Directors or chief executives of the Company as disclosed in the above) had interests or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital as at the Latest Practicable Date:

Name	Capacity	Number of Shares held	Approximate percentage of shareholding
CSPT ( <i>Note 1</i> )	Interest in controlled corporation	2,174,933,636	18.78%

Name	Capacity	Number of Shares held	Approximate percentage of shareholding
Hoshing Limited (Note 2)	Interest in controlled corporation	2,174,933,636	18.78%
Main Purpose Investments Limited	Beneficial owner	2,145,156,510	18.52%

*Notes:*

1. CSPT was deemed to be interested in 2,145,156,510 Shares held by Main Purpose Investments Limited and 29,777,126 shares held by Desert Gold Limited by virtue of its 100% interests in the issued share capital of Hoshing Limited, which in turn holds 100% interests in the issued share capital of Main Purpose Investments Limited and 100% interests in the issued share capital of Desert Gold Limited, respectively.
2. Hoshing Limited was deemed to be interested in 2,145,156,510 Shares held by Main Purpose Investments Limited and 29,777,126 Shares held by Desert Gold Limited by virtue of its 100% interests in the issued share capital of Main Purpose Investments Limited and 100% interests in the issued share capital of Desert Gold Limited, respectively.

Save as disclosed in this circular, so far as was known to the Directors or chief executives of the Company, there is no other person (other than the Directors or chief executives of the Company as disclosed in the above) who had interests or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital as at the Latest Practicable Date.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

**4. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

**5. COMPETING INTERESTS OF DIRECTORS AND THEIR ASSOCIATES**

As at the Latest Practicable Date, Mr. Chen, Mr. Yu, Mr. Siu Siu Ling, Robert (an independent non-executive Director) and Mr. Tam Tak Wah (an independent non-executive Director) held directorships in companies engaged in the businesses of securities trading and investment and/or provision of financing services. Mr. Chen and Mr. Lau Fai Lawrence (an executive Director) held directorship in companies engaged in the business of e-commerce.

The aforesaid companies have been operating under separate and independent managements. None of the abovementioned Directors can personally control the Board and each of them is fully aware of, and has been discharging, his fiduciary duty to the Company and has acted and will continue to act in the best interest of the Company and the Shareholders as a whole. Therefore, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

Save as disclosed above, none of the Directors or their respective associates were considered to have interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or have or may have any other conflicts of interest with the Group pursuant to the Listing Rules.

**6. INTEREST OF DIRECTORS OR PROPOSED DIRECTORS OR EXPERTS IN ASSETS ACQUIRED OR DISPOSED OF BY OR LEASED TO ANY MEMBER OF THE GROUP**

Since the date to which the latest published audited accounts of the Company were made up until the Latest Practicable Date, none of the Directors or proposed Directors or expert (as listed out in paragraph 8 below) has any interest, direct or indirect, in any assets which were, or were proposed to be, acquired or disposed of by or leased to any member of the Group.

**7. CONTRACTS OR ARRANGEMENTS WHICH DIRECTORS ARE MATERIALLY INTERESTED AND ARE SIGNIFICANT IN RELATION TO THE BUSINESS OF THE GROUP**

Ocean Wave Motion Pictures (International) Limited (“**Ocean Wave**”) is owned as to 50% by Mr. Chen and as to 50% by an Independent Third Party. As Mr. Chen is an executive Director, Ocean Wave is a connected person of the Company under Chapter 14A of the Listing Rules. Details of the transactions between the Group and Ocean Wave are set out below:

- (i) a film agreement dated 12 July 2016 and entered into between China Wisdom Group Limited (“**China Wisdom**”, a wholly-owned subsidiary of the Company) and Ocean Wave in relation to the investment in a film project known as “Girls II” (《閩蜜2》), pursuant to which China Wisdom will invest RMB12,000,000 in cash for investment in the film;
- (ii) the conditional loan agreement dated 21 September 2017 and entered into between China Wisdom as lender and Ocean Wave as borrower, pursuant to which China Wisdom advanced a sum of USD1,320,000 (or its Hong Kong dollars equivalence) to Ocean Wave of a term of three years at an interest rate of 8% per annum, and China Wisdom shall be entitled to additional upside return (if any) to be calculation on a pre-determined formula;
- (iii) the conditional loan agreement dated 11 October 2017 and entered into between China Wisdom as lender and Ocean Wave as borrower, pursuant to which China Wisdom advanced a sum of USD487,500 (or its Hong Kong dollars equivalence) to Ocean Wave of a term of three years at an interest rate of 12% per annum; and
- (iv) the conditional agreement dated 12 June 2018 and entered into between China Wisdom and Ocean Wave in relation to the making of the advancement of the sum of USD675,000 from China Wisdom to Ocean Wave for a term of two years (extensible for one additional year at the sole and absolute discretion of China Wisdom) at an interest rate of 8% per annum, for investment in and distribution of the motion picture tentatively entitled “Papillon”.

Save as disclosed above, there were no contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Group.

**8. EXPERT AND CONSENT**

The following is the qualification of the expert who has been named in this circular or has given opinion or letter contained in this circular:

<b>Name</b>	<b>Qualification</b>
Veda Capital Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

Veda Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and/or references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, Veda Capital was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e. 31 December 2017), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

**9. MISCELLANEOUS**

- (i) The registered office of the Company is situated at Cricket Squares, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (ii) The company secretary of the Company is Mr. Lau Cheuk Pun. Mr. Lau is a member of the Hong Kong Institute of Certified Public Accountants.
- (iii) The head office and principal place of business of the Company in Hong Kong is situated at Unit 912, 9th Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong.
- (iv) The principal share register of the Company is Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.



- (v) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

#### **10. MATERIAL ADVERSE CHANGE**

The Directors confirm that, as at the Latest Practicable Date, there were no material adverse changes in the financial or trading positions of the Group since 31 December 2017, the date to which the latest published audited consolidated financial statements of the Group were made up.

#### **11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the principal place of business in Hong Kong which is situated at Unit 912, 9th Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong, during normal business hours on any Business Day from the date of this circular up to and including the date of the EGM:

- (i) this circular;
- (ii) the Master Services Agreement;
- (iii) the Loan Agreement;
- (iv) the letter from the Independent Board Committee as set out in this circular;
- (v) the letter from Veda Capital as set out in this circular; and
- (vi) the written consent of Veda Capital referred to in the paragraph headed "Expert and Consent" in this appendix.

#### **12. LANGUAGE**

In the event of inconsistency, the English text of this circular will prevail over the Chinese text.

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## NOTICE OF EGM

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### FUTURE WORLD FINANCIAL HOLDINGS LIMITED

未來世界金融控股有限公司

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

**(Stock Code: 572)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of Future World Financial Holdings Limited (the “**Company**”) will be held at Unit 912, 9th Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong on Monday, 6 August 2018 at 11 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company:

#### **ORDINARY RESOLUTIONS**

1. “**THAT**

- (a) the master services agreement dated 25 April 2018, which was supplemented and amended on 29 June 2018 (the “**Master Services Agreement**”) and entered into between the Company and CWSI in relation to the provision of the brokerage services, margin financing and corporate finance services by CWSI to the Company and its subsidiaries (details of the Master Services Agreement are set out in the Company’s circular dated 16 July 2018 (the “**Circular**”), and a copy of the Master Services Agreement is marked “A” and produced to the EGM and signed by the chairman of the EGM for identification purpose) and the continuing connected transactions contemplated thereunder be and are hereby ratified, confirmed and approved;
- (b) the proposed annual caps (as more particularly described in the Circular) in respect of the continuing connected transactions in relation to the margin financing and corporate finance services contemplated under the Master Services Agreement for the period/years ending 31 December 2018, 2019 and 2020 be and are hereby approved and confirmed; and

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## NOTICE OF EGM

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- (c) any one or more Director(s) be and is/are hereby authorised to implement and take all steps and do all acts and things and execute all such documents (including under seal, where applicable) which he/they consider(s) necessary, desirable or expedient to give effect to the Master Services Agreement, the transactions contemplated thereunder and the proposed annual caps and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole.”

2. **“THAT**

- (a) the loan agreement dated 7 September 2017, which was supplemented and amended by the first supplemental loan agreement dated 19 September 2017 and the second supplemental loan agreement dated 25 April 2018 (collectively, the **“Loan Agreement”**) and entered into between Globally Finance Limited as lender and China Soft Power Technology Holdings Limited as borrower in relation to the grant of the loan facility in the amount of up to HKD270,000,000 (details of the Loan Agreement are set out in the Circular, and a copy of the Loan Agreement is marked “B” and produced to the EGM and signed by the chairman of the EGM for identification purpose) and the continuing connected transactions contemplated thereunder be and are hereby ratified, confirmed and approved;
- (b) the proposed annual caps (as more particularly described in the Circular) in respect of the continuing connected transactions contemplated under the Loan Agreement for the period/years ending 31 December 2018, 2019 and 2020 be and are hereby approved and confirmed; and
- (c) any one or more Director(s) be and is/are hereby authorised to implement and take all steps and do all acts and things and execute all such documents (including under seal, where applicable) which he/they consider(s) necessary, desirable or expedient to give effect to the Loan Agreement, the transactions contemplated thereunder and the proposed annual caps and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole.”

Yours faithfully,  
On behalf of the Board  
**Future World Financial Holdings Limited**  
**Siu Yun Fat**  
*Chairman*

Hong Kong, 16 July 2018

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## NOTICE OF EGM

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*Registered office:*

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

*Head office and principal place  
of business in Hong Kong:*

Unit 912, 9th Floor  
New East Ocean Centre  
9 Science Museum Road  
Kowloon  
Hong Kong

*Notes:*

1. The register of members of the Company will be closed from Wednesday, 1 August 2018 to Monday, 6 August 2018, both days inclusive, during which period no transfer of the Company's shares will be registered. In order to determine the entitlement to attend and vote at the EGM, all transfer of the shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer agent in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Tuesday, 31 July 2018.
2. Any member of the Company entitled to attend and vote at the EGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the EGM. 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. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
4. To be valid, the form of proxy and (if required by the board of Directors) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the offices of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
5. No instrument appointing a proxy shall be valid after expiration of 12 months from the date named in it as the date of its execution, except at an adjourned EGM or on a poll demanded at the EGM or any adjournment thereof in cases where the EGM was originally held within 12 months from such date.
6. Where there are joint holders of any shares, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
7. Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the EGM if the member so wish and in such event, the form of proxy shall be deemed to be revoked.

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## NOTICE OF EGM

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8. If a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a black rainstorm warning signal is expected to be in force at any time between 8:00 a.m. to 5:00 p.m. on the date of the EGM, the EGM will be postponed and Members will be informed of the date, time and venue of the postponed EGM by a supplementary notice, posted on the respective websites of the Company and Hong Kong Exchanges and Clearing Limited.

If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is cancelled at or before 8:00 a.m. on the date of the EGM and where conditions permit, the EGM will be held as scheduled.

If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is hoisted or remain hoisted after 8:00 a.m. but lowered at or before 12 noon on the date of the EGM, the EGM will be adjourned to 3:00 p.m. on the same day at the same venue.

The EGM will be held as scheduled when an amber or red rainstorm warning signal is in force.

After considering their own situations, members of the Company should decide whether they would attend the EGM under bad weather condition and if they do so, they are advised to exercise care and caution.