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中软国际

CHINASOFT INTERNATIONAL LIMITED

中軟國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 354)

**(i) CONNECTED TRANSACTION – SUBSCRIPTION OF NEW
SHARES BY HUAWEI TECHNOLOGIES CO., LIMITED;
AND
(ii) DISCLOSEABLE AND CONNECTED
TRANSACTION – ACQUISITION OF REMAINING
40% EQUITY INTEREST IN CHINASOFT INTERNATIONAL
TECHNOLOGY SERVICE CO., LIMITED**

THE SUBSCRIPTION AND ACQUISITION AGREEMENT

On 26 October 2015 (after trading hours), the Company, Huawei and CSI (China) entered into the Subscription and Acquisition Agreement pursuant to which (i) Huawei has conditionally agreed to subscribe, and the Company has conditionally agreed to issue, 85,109,515 Subscription Shares at the Subscription Monies of HK\$238,306,641; and (ii) the Company has conditionally agreed to acquire, and Huawei has conditionally agreed to sell, 40% equity interest in the Target Company at a consideration of HK\$238,306,641 to be satisfied by way of cash.

The Subscription Shares will be issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM.

An application will be made to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

LISTING RULES IMPLICATIONS

Huawei is a substantial shareholder of the Target Company, holding 40% of its equity interest, with the remaining 60% equity interest owned by CSI (China), being a wholly-owned subsidiary of the Company. Huawei is therefore a connected person of the Company. The Subscription therefore constitutes a non-exempt connected transaction of the Company subject to reporting, announcement and the Independent Shareholders' approval by way of poll requirements under Chapter 14A of the Listing Rules. As certain applicable percentage ratios in respect of the Acquisition exceed 5% but less than 25% and the Acquisition Consideration exceeds HK\$10 million, the Acquisition constitutes a discloseable and connected transaction for the Company subject to reporting, announcement and Independent shareholders' approval by way of poll requirements under the Listing Rules. In addition, the Subscription is conditional upon the Acquisition Completion. Therefore, both the Acquisition and the Subscription shall be subject to the reporting, announcement and independent shareholders' approval requirements by way of poll under Chapter 14A of the Listing Rules.

GENERAL

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve the Subscription and Acquisition Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate. As Huawei has material interest in the Subscription and the Acquisition and is party to the Subscription and Acquisition Agreement, Huawei and its associates shall abstain from voting on the resolution(s) approving the Subscription and Acquisition Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate, at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Zeng Zhijie, Dr. Leung Wing Yin Patrick and Dr. Lai Guanrong, will be established to consider, and advise the Independent Shareholders as to whether the terms of the Subscription and Acquisition Agreement (including the issue of Subscription Shares) are fair and reasonable, on normal commercial terms or better and in the ordinary course and usual course of business of the Group, in the interests of the Company and the Shareholders as a whole and how to vote on the resolution(s) regarding the Subscription and Acquisition Agreement at the EGM. The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

It is expected that a circular containing, among others, (i) the details of the Subscription and Acquisition Agreement and the Specific Mandate, (ii) the letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the Subscription and Acquisition Agreement, (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and Acquisition Agreement, and (iv) the notice convening the EGM will be dispatched to the Shareholders on or before 6 November 2015.

THE SUBSCRIPTION AND ACQUISITION AGREEMENT DATED 26 OCTOBER 2015

Parties

- (1) the Company;
- (2) Huawei; and
- (3) CSI (China)

Subject matter

- (i) The Subscription; and
- (ii) The Acquisition.

The principal terms of the Subscription and the Acquisition as set out in the Subscription and Acquisition Agreement are set out below.

(i) The Subscription

Subject Matter

Huawei has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 85,109,515 Subscription Shares at the Subscription Monies of HK\$238,306,641.

Subscription Conditions Precedent

Subscription Completion is subject to the fulfillment of the following conditions precedent:

- 1) all representations, warranties and undertakings given by the Company under the Subscription and Acquisition Agreement remain effective at all times throughout the period from the date of the Subscription and Acquisition Agreement up to the Subscription Completion Date;
- 2) all representations, warranties and undertakings given by Huawei under the Subscription and Acquisition Agreement remain effective at all times throughout the period from the date of the Subscription and Acquisition Agreement up to the Subscription Completion Date;

- 3) there being no occurrence of any events leading to material adverse change to the Group from the date of the Subscription and Acquisition Agreement up to the Subscription Completion Date;
- 4) the Shareholders having approved of the execution of the Subscription and Acquisition Agreement by the Company, including approving the issue of the Subscription Shares by the Company to Huawei, authorizing the Board in respect of the issue and allotment of the Subscription Shares and the Shareholders having waived any pre-emptive rights or other similar rights to acquire any Shares with respect to the Subscription at the EGM. The Company shall deliver a copy of such Shareholders' resolution (certified by a Director) to Huawei within three Business Days from the date of obtaining such approval;
- 5) the shareholder(s) of Huawei having approved the execution and delivery of the Subscription and Acquisition Agreement and the execution of the Subscription. Huawei shall deliver a copy of the shareholders' resolution (stamped with the company chop of Huawei and stating that it is a true copy of the original resolution) to the Company within three Business Days from the date of obtaining such shareholders' approval;
- 6) Huawei having completed the pre-filing procedures in respect of the Subscription with the Ministry of Commerce ("MOC") and the National Development and Reform Commission ("NDRC") of the Shenzhen City, and having obtained Overseas Investment Certificate (企業境外投資證書) issued by MOC and project filing notice (項目備案通知書) issued by NDRC, and having completed the overseas direct investment registration with a bank in its place of incorporation. Huawei shall deliver a copy of Overseas Investment Certificate (企業境外投資證書) and project filing notice (項目備案通知書) (stamped with the company chop of Huawei and stating that they are true copies of the original documents) to the Company within three Business Days from the date of obtaining such certificate/notice;
- 7) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares pursuant to the Listing Rules requirement, and such approval not having been withdrawn or revoked. The Company shall deliver a copy of such approval (certified by a Director) to Huawei within three Business Days from the date of obtaining such approval; and
- 8) Huawei having received the Acquisition Consideration.

The Company and Huawei shall ensure that Subscription Conditions Precedent (4) to (7) having been fulfilled before the fulfillment of Subscription Condition Precedent (8).

Lock-up of the Subscription Shares

Huawei undertakes that it will become a long term strategic investor of the Company and will not dispose of any of the Subscription Shares issued within a period up to 2 years from the Subscription Completion Date (the “**Lock-up Period**”).

Upon the expiry of the Lock-up Period, should Huawei decides to sell or transfer the Subscription Shares, Huawei shall inform the Company in advance of the number of Subscription Shares it intends to dispose of and their expected transaction price. Huawei undertakes that priority will be given for such Subscription Shares to be disposed of by way of block trade under the same terms.

Subscription Completion

The Subscription Completion Date shall take place on the date when all the Subscription Conditions Precedent having been fulfilled.

Huawei shall transfer the Subscription Monies of HK\$238,306,641 by way of cash to the designated bank account of the Company within five Business Days from the date on which all the Subscription Conditions Precedent (save for Subscription Conditions Precedent (1) to (3) as set out above which shall be fulfilled on the Subscription Completion Date) having been fulfilled. And the Company will issue the share certificate(s) of the Subscription Shares to Huawei on the next following Business Day when the Company receives the Subscription Monies from Huawei.

(ii) The Acquisition

Subject matter

The Company has conditionally agreed to purchase, and Huawei has conditionally agreed to sell, 40% equity interest in the Target Company.

Acquisition Consideration

The Acquisition Consideration is HK\$238,306,641 which shall be payable by way of cash within five Business Days after the date on which the AIC Equity Transfer Formalities having been completed (or any other date as the Company and Huawei may agree).

Acquisition Conditions Precedent

Acquisition Completion is subject to the fulfillment of the following conditions precedent:

- 1) all representations, warranties and undertakings given by the Company under the Subscription and Acquisition Agreement remain effective at all times throughout the period from the date of the Subscription and Acquisition Agreement up to the Acquisition Completion Date;
- 2) all representations, warranties and undertakings given by Huawei under the Subscription and Acquisition Agreement remain effective at all times throughout the period from the date of the Subscription and Acquisition Agreement up to the Acquisition Completion Date;
- 3) Huawei and CSI (China) as the equity owners of the Target Company having approved the Acquisition, and CSI (China) having indicated that it has given up its first right of refusal. Huawei shall deliver a copy of the relevant shareholders resolution to the Company within three Business Days from the date approving the relevant resolution;
- 4) the Board and (where applicable) Shareholders, in accordance to the Listing Rules requirements (including but not limited to requirements in relation to connected transactions), having approved the execution of the Subscription and Acquisition Agreement by the Company, delivery of the Subscription and Acquisition Agreement and the execution of the Acquisition, and having complied with all the Listing Rules requirements on or before the Acquisition Completion Date, including but not limited to requirement in relation to information disclosure. The Company shall deliver a copy of the Board resolution and (where applicable) Shareholders' resolution (being certified by a Director) to Huawei and CSI (China) within three Business Days from the date approving by the Board and the Shareholders, respectively;
- 5) the shareholder(s) of Huawei having approved the execution and delivery of the Subscription and Acquisition Agreement and execution of the Acquisition. Huawei shall deliver a copy of the relevant shareholders' resolution (stamped with the company chop of Huawei and stating that it is a true copy of the original resolution) to the Company and CSI (China) within three Business Days from the date approving by the shareholders of Huawei;
- 6) the shareholder(s) of CSI (China) having approved the execution and delivery of the Subscription and Acquisition Agreement and execution of the Acquisition. CSI (China) shall deliver a copy of the relevant shareholders' resolution (stamped with the company chop of CSI (China) and stating that it is a true copy of the original resolution) to Huawei within three Business Days from the date approving by the shareholders of CSI (China);

- 7) the Ministry of Commerce of the Xi'an City having granted the approval of the Acquisition and issued the certificate of approval for establishment of enterprises with foreign investment in the People's Republic of China (外商投資企業批准證書) to the Target Company. The Company and Huawei shall together prepare the necessary documents and handle with their best endeavours with regard to the reporting matter at the Ministry of Commerce of the Xi'an City, complete with the reporting matter and obtaining the relevant approval documents and approval certificates. Huawei and CSI (China) jointly warrant that they shall deliver copies of the approval documents and approval certificates (stamped with the company chop of the Target Company and stating that they are true copies of the original documents) within the next following Business Day immediately after the date of obtaining those approval documents and approval certificates.

The parties to the Subscription and Acquisition Agreement shall ensure that Acquisition Conditions Precedent (3) to (6) as set out below will be fulfilled before fulfillment of Acquisition Condition Precedent (7).

Acquisition Completion

The Acquisition Completion Date shall take place on the date which is the next following Business Day after the date on which all the Acquisition Conditions Precedent having been fulfilled (save for Acquisition Conditions Precedent (1) and (2) as set out above which shall satisfied on the Acquisition Completion Date) or any other date as the parties may agree.

On the Acquisition Completion Date, the Company and Huawei shall confirm in writing that the Acquisition Conditions Precedent have been fulfilled and that Huawei shall provide the Company with the documents as required for performing the AIC Equity Transfer Formalities which requires Huawei to sign. The Company agreed that it will be responsible for the performance of the AIC Equity Transfer Formalities and that Huawei shall co-operate and assist the Company with the completion of the AIC Equity Transfer Formalities.

Upon the Acquisition Completion, Huawei will no longer be entitled to the rights and benefit, and assume any obligations and responsibilities, in the capacity of an owner of the equity interest of the Target Company.

The Company and CSI (China) irrevocably agree that they will not initiate or sue Huawei for any liabilities or obligations aroused during the period when Huawei is an equity owner of the Target Company which will in turn lead to any litigation, debt, contingent liabilities, tax obligations, fines and penalties, breaching of contract, tort liability or any other liabilities or losses arising from violations of governing law after the Acquisition Completion Date.

Dividend Entitlement

Huawei confirmed that, though the Target Company has not/will not distribute any distributable reserve to its equity holders since its inception up the date of completion of the AIC Equity Transfer Formalities, the Acquisition Consideration has already taken into account the fair value of the distributable reserve, Huawei agreed to give up its right to receive any dividend that it is entitled to during the period when it is an equity holder of the Target Company.

Strategic Cooperation between the Company and Huawei

The Company and Huawei undertake that the transactions contemplated under the Subscription and Acquisition Agreement will not affect the current business and strategic relationship between them.

The Company undertakes it will continue to provide adequate and sufficient support to Huawei and its related parties and strive for improving the quality, efficiency and service capabilities of its IT Outsourcing Business conducted between Huawei Group and the Target Company and actively cooperate with Huawei's strategies after the Acquisition Completion Date.

The Company, Huawei and CSI (China) undertake that they will procure the Target to establish the Huawei Business Management Committee (the "**Management Committee**") within five Business Days after the Acquisition Completion Date. The Committee will comprise of party(ies) nominated by the Company and Huawei, as well as the management team member of the Target Company. The decision range of the Management Committee shall include the business plan, financials, budgeting and human resources management of the IT Outsourcing Service provided by the Target Company to Huawei. The Management Committee will convene, at least one meeting each quarter, after the Acquisition Completion Date.

BASIS OF DETERMINATION OF THE ACQUISITION CONSIDERATION

The Acquisition Consideration was determined after arm's length negotiations between the Company and Huawei after taking into account, among others, the unaudited net asset value of the Target Company as at 31 December 2014 and business prospect of the Target Company.

The Group intends to finance the Acquisition Consideration by its internal resources.

SUBSCRIPTION PRICE

Pursuant to the Subscription and Acquisition Agreement, Huawei shall subscribe for 85,109,515 Subscription Shares at the Subscription Monies of HK\$238,306,641. So, the Subscription Price is approximately HK\$2.80 per Subscription Share.

The Subscription Price of approximately HK\$2.80 represents:

- (i) a discount of approximately 14.11% to the closing price of HK\$3.26 per Share as quoted on the Stock Exchange on Last Trading Day;
- (ii) a discount of approximately 15.41% to the average closing price of HK\$3.31 per Share in the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 15.41% to the average closing price of HK\$3.31 per Share in the last ten consecutive trading days up to and including the Last Trading Day.

The Subscription Price was arrived at after arm's length negotiations between the Company and Huawei after taking into account the prevailing market price and trading volume of the Shares. The Directors consider that the terms of the Subscription are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

SUBSCRIPTION SHARES

The number of Subscription Shares to be issued is 85,109,515. The 85,109,515 Subscription Shares, if fully issued and allotted, represents approximately 4.14% and 3.97% of the issue share capital of the Company as at the date of this announcement and immediately after the issue and allotment of the Subscription Shares, respectively, assuming there shall be no change in the issued share capital of the Company from the date of the announcement up to and including the Subscription Completion Date. The aggregate nominal value of the Subscription Shares is HK\$4,255,475.75.

The Subscription Shares, when issued and allotted on the Subscription Completion Date, will rank *pari passu* in all respects with the Shares in issue on the Subscription Completion Date.

SPECIFIC MANDATE TO ISSUE THE SUBSCRIPTION SHARES

The Company will seek the grant of the Specific Mandate from the Independent Shareholders at the EGM for the issue and allotment of 85,109,515 Subscription Shares to Huawei.

APPLICATION FOR LISTING

An application will be made to the Listing Committee for the listing of, and permission to deal in, the 85,109,515 Subscription Shares.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table set out the effect of the Subscription on shareholding structure of the Company, assuming that no Shares will be issued or repurchased during the period between the date of this announcement and up to and including the Subscription Completion Date:

Shareholders	As at the date of this announcement		Immediately after the Subscription Completion	
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Directors				
Dr. Chen Yuhong (<i>Note</i>)	254,392,861	12.36	254,392,861	11.87
Mr. Wang Hui	8,281,838	0.40	8,281,838	0.39
Dr. Tang Zhenming	1,827,765	0.09	1,827,765	0.09
Mr. Zeng Zhijie	250,000	0.01	250,000	0.01
Public Shareholders				
Huawei	0	0.00	85,109,515	3.97
Other public Shareholders	1,792,685,293	87.14	1,792,685,293	83.67
Total	2,057,437,757	100.00	2,142,547,272	100.00

Note: The interest of Dr. Chen Yuhong is held either directly by himself, through Prime Partners Development Limited, a corporation wholly owned by him and through a discretionary trust.

USE OF PROCEEDS

The gross proceeds from the issue of the Subscription Shares will be HK\$238,306,641. After taking into account the estimated expenses of approximately HK\$1.42 million in relation to the Subscription, the net proceeds from the Subscription will be approximately HK\$236.89 million. The net proceeds from the Subscription will be used to replenish the cash flow of the Group in view of cash outflow for financing the Acquisition Consideration using the internal resources of the Group. The net price per Subscription Share is expected to be approximately HK\$2.78.

FUND RAISING DURING THE PAST TWELVE MONTHS

Date of announcement	Fund raising exercise	Net proceeds to be received/ received	Intended use of proceeds as disclosed in the relevant announcement	Actual use of proceeds	Intended use of any amount not yet utilized
26 October 2015	Proposed issuance of convertible bonds	US\$70.0 million	The tentative net proceeds will be used for general corporate purposes	<ul style="list-style-type: none"> • Not applicable 	<ul style="list-style-type: none"> • Not applicable
4 May 2015	Placing of new shares under general mandate	HK\$179.0 million	<ul style="list-style-type: none"> • HK\$80 million will be used to acquire overseas companies with large data volume processing capabilities in the finance industry; • HK\$50 million will be used to expand enterprise cloud services channels and develop a enterprise cloud platform; and • the remaining proceeds will be used to supplement working capital 	<ul style="list-style-type: none"> • HK\$50 million had been used to expand enterprise cloud services channels and develop a enterprise cloud platform; and • HK\$49 million had been used to supplement working capital. 	<ul style="list-style-type: none"> • HK\$80 million will be used to acquire overseas companies with large data volume processing capabilities in the finance industry and the amount is currently maintained at banks.
4 May 2015	Subscription of 50 million new Shares	HK\$181.5 million	<ul style="list-style-type: none"> • approximately HK\$100 million will be used for the collaboration with Bank of Communications Co., Ltd. to develop businesses related to supply chain financing; 	<ul style="list-style-type: none"> • approximately HK\$34 million had been used for the development of internet financing and related businesses; 	<ul style="list-style-type: none"> • approximately HK\$100 million will be used for the collaboration with Bank of Communications Co., Ltd. to develop businesses related to supply chain financing and the amount is currently maintained at banks.

Date of announcement	Fund raising exercise	Net proceeds to be received/ received	Intended use of proceeds as disclosed in the relevant announcement	Actual use of proceeds	Intended use of any amount not yet utilized
			<ul style="list-style-type: none"> • approximately HK\$34 million will be used for the development of internet financing and related businesses; • approximately HK\$25 million will be used for the operation and promotion of the Company's strategic product – JointForce platform; and • the remaining portion of the proceeds will be utilized for general working capital purposes. 	<ul style="list-style-type: none"> • approximately HK\$25 million had been used for the operation and promotion of Company's strategic product – JointForce platform; and • HK\$22.5 million had been utilized for general working capital. 	

Save as disclosed above, the Company has not conducted any equity fund raising activity during the past 12 months immediately preceding the date of this announcement.

INFORMATION OF THE TARGET COMPANY

The Target Company is a PRC incorporated company established in 2012 with the registered and paid up capital of RMB100 million. It is principally engaged in the IT Outsourcing Business. Huawei is an equity holder of the Target Company since its establishment in 2012 by contributing RMB40 million to its registered capital, accounting for 40% of its total paid-up registered capital. As at the date of this announcement, Huawei owns 40% equity interest in the Target Company while the remaining 60% equity interest in the Target Company is owned by CSI (China).

The table below sets out the net profit before and after taxation of the Target Company extracted from the management account of the Target Company prepared in accordance with accounting principles generally accepted in Hong Kong:

<i>(RMB 'million)</i>	For the year ended 31 December	
	2014	2013
Net profit before taxation	121.21	99.04
Net profit after taxation	109.82	99.04

The unaudited net asset value of the Target Company attributable to its equity holders as at 31 December 2014, prepared in accordance with accounting principles and practices generally accepted in Hong Kong, was approximately RMB307.97 million.

Immediately following the Acquisition Completion, the 40% equity interest in the Target Company will be transferred to the Company and Huawei will cease to own any equity interest of the Target Company. Together with the 60% equity interest of the Target Company subscribed by CSI (China) since its inception in year 2012, the Target Company will become an indirect wholly-owned subsidiary of the Company immediately upon the Acquisition Completion and thus, its financial statement will continue to be consolidated into that of the Company.

INFORMATION OF THE GROUP

The Group is an established corporation that provides global software and information technology (IT) services in the PRC. It is a comprehensive provider of end-to-end software and information services, ranging from consulting, providing solution, outsourcing to talent training. Its businesses cover various industries such as government, manufacturing, finance, telecommunication, high technologies, public utilities and energy etc. Its services are distributed across the world, with more than 29,000 employees.

INFORMATION OF HUAWEI

Huawei is a leading global information and communications technology (“ICT”) solutions provider. Huawei’s aim is to enrich life and improve efficiency through a better connected world, acting as a responsible corporate citizen, innovative enabler for the information society, and collaborative contributor to the industry. Driven by customer-centric innovation and open partnerships, Huawei has established an end-to-end ICT solutions portfolio that gives customers competitive advantages in telecom and enterprise networks, devices and cloud computing. Huawei’s 170,000 employees worldwide are committed to creating maximum value for telecom operators, enterprises and consumers. Huawei’s innovative ICT solutions, products and services are used in more than 170 countries and regions, serving over one-third of the world’s population. Founded in 1987, Huawei is a private company fully owned by its employees. For more information, please visit Huawei online at www.huawei.com.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUBSCRIPTION AND ACQUISITION AGREEMENT

Upon the Subscription Completion, as Huawei is to become a strategic Shareholder, the connection provides opportunities for both parties to foster a closer strategic relationship in further developing in aspects including the IT Outsourcing, enterprise cloud service, industry joint innovation, Industry 4.0, finance big-data and etc. The Company expects that it will benefit from the close cooperation with Huawei and thus continuing to enhance its earnings.

On a capital market level, the Subscription is on the back of the subscription by Microsoft Corporation, another giant company which has interest in the Company. The said relationships embodied the Company’s success in the cooperation model with its corporate customers, which provides a positive demonstration effect in the market, enabling further potential cooperation with other corporate customers.

IT Outsourcing is one of the principal activities of the Group, accounting for approximately 44.1%, 43.3% and 45.7% of the Group’s turnover for each of the three years ended 31 December 2012, 2013 and 2014, respectively. As the Target Company is the only entity carrying out IT Outsourcing business within the Group since its establishment in 2012, the Target Company is one of the key operating units of the Group. The Target Company has maintained rapid development momentum since its inception in year 2012. In year 2014, the revenue of the Target Company was more than RMB 1 billion, and its net profit for the corresponding period was more than RMB 100 million. Upon the Acquisition Completion, the Target Company will become a wholly-owned subsidiary of the Company. Should the financial results of the Target Company upon the Acquisition Completion continue to be increasing as in the past few years, the net profit attributable to the Shareholders and the earnings per Share will be improved as well.

Upon the Acquisition Completion, Huawei will no longer hold any equity interest in the Target Company. As disclosed in the section headed “Strategic Cooperation between the Company and Huawei” above, both the Company and Huawei undertake that the Acquisition Completion will not affect the business and strategic cooperation between them.

Based on the above, the Board (excluding the independent non-executive Directors whose opinion will be included in the circular to be dispatched to the Shareholders in relation to, among others, the Acquisition and the Subscription) considered that the terms of the Subscription and Acquisition Agreement are fair and reasonable and that the entering into of the Subscription and Acquisition Agreement in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Huawei is a substantial shareholder of the Target Company, holding 40% of its equity interest, with the remaining 60% equity interest owned by CSI (China), being a wholly-owned subsidiary of the Company. Huawei is therefore a connected person of the Company. The Subscription therefore constitutes a non-exempt connected transaction of the Company subject to reporting, announcement and the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. As certain applicable percentage ratios in respect of the Acquisition exceed 5% but less than 25% and the Acquisition Consideration exceeds HK\$10 million, the Acquisition constitutes a discloseable and connected transaction for the Company and therefore subject to reporting, announcement and Independent Shareholders’ approval by way of poll requirements under the Listing Rules. In addition, the Subscription is conditional upon the Acquisition Completion. Therefore, both the Acquisition and the Subscription shall be subject to the reporting, announcement and independent shareholders’ approval requirements by way of poll under Chapter 14A of the Listing Rules.

GENERAL

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve the Subscription and Acquisition Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate. As Huawei has material interest in the Subscription and the Acquisition and is party to the Subscription and Acquisition Agreement, Huawei and its associates shall abstain from voting on the resolution(s) approving the Subscription and Acquisition Agreement and the transactions contemplated thereunder and the grant of the Specific Mandate at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Zeng Zhijie, Dr. Leung Wing Yin Patrick and Dr. Lai Guanrong, will be established to consider, and advise the Independent Shareholders as to whether the terms of the Subscription and Acquisition Agreement (including the issue of Subscription Shares) are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, in the interests of the Company and the Shareholders as a whole and how to vote on the resolution(s)

regarding the Subscription and the Acquisition Agreement at the EGM. The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

It is expected that a circular containing, among others, (i) the details of the Subscription and Acquisition Agreement and the Specific Mandate, (ii) the letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the Subscription and Acquisition Agreement, (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and Acquisition Agreement, and (iv) the notice convening the EGM will be dispatched to the Shareholders on or before 6 November 2015.

DEFINITIONS

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

“associate(s)”	such term has the meaning ascribed to it under the Listing Rules;
“Acquisition”	the proposed acquisition of the 40% equity interest in the Target Company by the Company from Huawei pursuant to the Subscription and Acquisition Agreement;
“Acquisition Completion”	Completion of the Acquisition pursuant to the Subscription and Acquisition Agreement;
“Acquisition Completion Date”	the date which is the first Business Day after the date on which all the Acquisition Conditions Precedent having been fulfilled (save for Acquisition Conditions Precedent (i) and (ii) as set out above which shall satisfied on the Acquisition Completion Date) or any other date as the parties may agree;
“Acquisition Conditions Precedent”	the conditions to the Acquisition which requires to be fulfilled before the Acquisition Completion Date;
“Acquisition Consideration”	HK\$238,306,641, being the cash consideration payable by the Company to Huawei in respect of the Acquisition pursuant to the Subscription and Acquisition Agreement;

“AIC Equity Transfer Formalities”	the equity transfer formalities required to be performed with the Administration for Industry and Commerce Bureau of the PRC in respect of the Acquisition;
“Board”	the board of Directors;
“Business Day(s)”	a day excluding public holiday in Hong Kong and the PRC or any day on which typhoon signal No. 8 or above is hoisted or the black rainstorm warning signal is hoisted in Hong Kong, but including working Saturday or Sunday promulgated by the State Council of the PRC;
“Company”	Chinasoft International Limited (中軟國際有限公司*), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	such term has the meaning ascribed to it under the Listing Rules;
“CSI (China)”	中軟國際(中國)科技有限公司 (Chinasoft International (China) Technology Co., Ltd.*), a limited company incorporated in the PRC, being a wholly-owned subsidiary of the Company;
“Director(s)”	directors of the Company;
“EGM”	extraordinary general meeting of the Company to be held to approve, among others, the Subscription and Acquisition Agreement and the transactions contemplated thereunder, and the grant of the Specific Mandate for the allotment;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Huawei”	華為技術有限公司(Huawei Technologies Co., Limited*), a limited liability company established in the PRC;

“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors, namely Mr. Zeng Zhijie, Dr. Leung Wing Yin Patrick and Mr. Lai Guanrong, to consider and advise on the fairness and reasonableness of the terms of the Subscription and Acquisition Agreement;
“Independent Financial Adviser”	an independent financial adviser who will be appointed by the Company to consider and advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Subscription and Acquisition Agreement;
“Independent Shareholders”	the Shareholders who are not involved or interested in the Subscription and Acquisition Agreement being the Shareholders other than Huawei and its associates;
“IT Outsourcing”	the contracting and subcontracting of all or part of the functions and operation flows, and software development to other party(ies), including information technology outsourcing (ITO) and business process outsourcing (BPO);
“Last Trading Day”	26 October 2015, being the last full trading day for the Shares on the Stock Exchange prior to the issue of this announcement;
“Listing Committee”	such term has the meaning ascribed to it under the Listing Rules;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“normal commercial terms or better”	such term has the meaning ascribed to it under the Listing Rules;
“Parties”	parties to the Subscription and Acquisition Agreement, namely the Company, CSI (China) and Huawei;
“percentage ratio(s)”	such term has the meaning ascribed to it under the Listing Rules;

“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan);
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the issued Shares;
“Specific Mandate”	the specific mandate proposed to be granted to the Board to allot and issue the Subscription Shares pursuant to the terms of the Subscription and Acquisition Agreement to be sought from the Independent Shareholders at the EGM;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder(s)”	such term has the meaning ascribed to it under the Listing Rules;
“Subscription”	allotment and issue of the Subscription Shares by the Company to be subscribed by Huawei;
“Subscription and Acquisition Agreement”	the agreement dated 26 October 2015 entered into between the Company, Huawei and CSI (China) in relation to, among other things, (i) the Subscription; and (ii) the Acquisition;
“Subscription Conditions Precedent”	the conditions precedent to the Subscription which requires to be fulfilled on or before the Subscription Completion Date;
“Subscription Completion Date”	the date when all the Subscription Conditions Precedent having been fulfilled;
“Subscription Price”	approximately HK\$2.80 per Subscription Share;
“Subscription Shares”	85,109,515 new Shares to be allotted and issued by Company to Huawei pursuant to the Subscription and Acquisition Agreement;

Subscription Monies	HK\$238,306,641, being the total amount payable by Huawei to the Company in respect of the subscription of the Subscription Shares;
“Target Company”	中軟國際科技服務有限公司(Chinasoft International Technology Service Co., Ltd.*), a joint venture established in the PRC, which is owned as to 60% and 40% by CSI (China) and Huawei, respectively as at the date of this announcement;
“US\$”	the United States Dollar, the lawful currency of the United States of America; and
“%”	per cent.

By order of the Board of
Chinasoft International Limited
Dr. Chen Yuhong
Chairman and Chief Executive Officer

26 October 2015, Hong Kong

As at the date of this announcement, the Board comprises three executive Directors, namely Dr. Chen Yuhong, Dr. Tang Zhenming and Mr. Wang Hui, one non-executive Director, namely Dr. Zhang Yaqin, and three independent non-executive Directors, namely Mr. Zeng Zhijie, Dr. Leung Wing Yin Patrick and Dr. Lai Guanrong.

The English names of the PRC entities referred to in this announcement are translations from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese name shall prevail.

* *For identification purposes only*