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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)

CONNECTED TRANSACTION

**(i) SHARE TRANSFER OF 50.83% EQUITY INTEREST IN
SZ KAI HONG;**

AND

**(ii) CAPITAL INJECTION BY HUBBLE,
CCB CHINASOFT INTERNATIONAL AND HONGJU INNOVATION
TO SZ KAI HONG**

THE SHARE TRANSFER

On 23 December 2021 (after trading hours), BJ Chinasoft International and Hongju Innovation entered into the Equity Transfer Agreement, pursuant to which BJ Chinasoft International agreed to transfer, and Hongju Innovation agreed to acquire, the Transfer Equity Interest (representing approximately 50.83% equity interest in SZ Kai Hong) for a consideration of RMB76.25 million (equivalent to approximately HK\$92.20 million). Among the parties is Hongju Innovation, which is an ESOP of SZ Kai Hong, and all the interests in the ESOP shall be allocated to the employees of SZ Kai Hong within two years.

CAPITAL INJECTION BY HUBBLE, CCB CHINASOFT INTERNATIONAL AND HONGJU INNOVATION TO SZ KAI HONG

On 23 December 2021 (after trading hours), BJ Chinasoft International, Yixin Technology, Hubble, CCB Chinasoft International, Hongju Innovation and SZ Kai Hong entered into the SZ Kaihong Capital Injection Agreement pursuant to which the Hubble, CCB Chinasoft International and Hongju Innovation agreed to inject in aggregate of RMB200 million (equivalent to approximately HK\$241.84 million) into the equity capital into the SZ Kai Hong.

Upon completion of Equity Transfer Agreement and SZ Kaihong Capital Injection Agreement, SZ Kai Hong shall cease to become a subsidiary of the Group but the Group shall have an indirect effective equity interest in SZ Kai Hong of approximately 19.50% through its approximately 99.90% partnership interest in CCB Chinasoft International.

LISTING RULES IMPLICATIONS

Hongju Innovation is a limited partnership with (i) the Beijing Chuanghong Jushi as its general partner; (ii) Dr. Chen Yuhong together with his associate Beijing Chuanghong Jushi and Mr. Jiang Peng Jiang as its limited partners as to 70% and 30.0% of the limited partnership interest, respectively. (In accordance with the requirements of the ESOP, these portions of shareholding shall be allocated to the employees of SZ Kai Hong within the next two years.) Beijing Chuanghong Jushi is wholly owned by Dr. Chen Yuhong, whom is an executive Director, the chairman and chief executive officer of the Company. Mr. Peng Jiang is a director of certain subsidiaries of the Group. Therefore, Hongju Innovation is a connected person of the Company. Accordingly the Transactions, taken as a whole, constitute connected transactions of the Company.

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) for the Disposal are more than 0.1% but less than 5%, the Transactions shall be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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On 23 December 2021 (after trading hours), BJ Chinasoft International, Yixin Technology, Hubble, CCB Chinasoft International, Hongju Innovation and SZ Kai Hong entered into the SZ Kaihong Capital Injection Agreement pursuant to which Hubble, CCB Chinasoft International and Hongju Innovation agreed to inject in aggregate of RMB200 million (equivalent to approximately HK\$241.84 million) into the equity capital into the SZ Kai Hong.

1. Equity Transfer Agreement

The salient terms of the Equity Transfer Agreement are set out below:

Date: 23 December 2021

Parties

1. Transferor: BJ Chinasoft International
2. Purchaser: Hongju Innovation

Subject Matter

The Transfer Equity Interest representing approximately 50.83% of the equity interest of SZ Kai Hong.

Consideration

The consideration for the Transfer Equity Interest is RMB76.25 million (equivalent to approximately HK\$92.20 million), which shall be payable by Hongju Innovation to BJ Chinasoft International by way of cash, of which 30% (being RMB22.875 million (equivalent to approximately HK\$27.66 million)) shall be payable by 31 December 2021 and the remaining 70% (being RMB53.375 million (equivalent to approximately HK\$64.54 million)) shall be payable within 90 days after the signing of the Equity Transfer Agreement.

The consideration of RMB76.25 million (equivalent to approximately HK\$92.20 million) was determined after arm's length negotiations between the parties to the Equity Transfer Agreement with reference to the actual amount of contribution made to registered capital of SZ Kai Hong by BJ Chinasoft International of RMB76.25 million (equivalent to approximately HK\$92.20 million) up to the date of the Equity Transfer Agreement.

Conditions Precedent

The parties to the Equity Transfer Agreement respectively undertake to fulfill the following conditions precedent before the Transfer Equity Interest Completion Date (as defined below):

- a. The representations, warranties and undertakings made by BJ Chinasoft International in the Equity Transfer Agreement shall be valid from the signing date of the Equity Transfer Agreement up to the Transfer Equity Interest Completion Date (as defined below);
- b. The representations, warranties and undertakings made by Hongju Innovation in the Equity Transfer Agreement shall be valid from the signing date of the Equity Transfer Agreement up to the Transfer Equity Interest Completion Date (as defined below);
- c. BJ Chinasoft International shall urge and actuate SZ Kai Hong and another equity holder to sign as soon as practicable all necessary documents related to this equity transfer including the resolution of the equity holders meeting approving this equity transfer and another equity holder waiving its right of first refusal in respect of this equity transfer.

All or any of these conditions precedent can be waived in writing by the parties to the Equity Transfer Agreement.

Completion

On the date of signing of the Equity Transfer Agreement, Hongju Innovation shall be recorded on the register of equity holders of SZ Kai Hong as the registered equity holder of 50.83% equity interest of SZ Kai Hong, such date shall be the completion date of the Equity Transfer Agreement (“**Transfer Equity Interest Completion Date**”). On the Transfer Equity Interest Completion Date, Hongju Innovation shall become an equity holder of SZ Kai Hong and BJ Chinasoft International shall no longer be an equity holder of SZ Kai Hong.

The registration of the transfer of equity interest under the Equity Transfer Agreement with the Shenzhen Administration for Market Regulation Bureau shall be completed within five (5) days from the Transfer Equity Interest Completion Date (hereinafter referred to as “**registration time limit**”). If the above-mentioned registration time limit is extended only due to the reasons not related to parties to the Equity Transfer Agreement, the registration time limit will be extended accordingly, and it will not be regarded as a breach of the Equity Transfer Agreement by either party.

Undertakings of Hongju Innovation

Hongju Innovation undertakes upon completion of the Equity Transfer Agreement that Hongju Innovation shall fulfil the unpaid equity capital contribution obligation on the part of BJ Chinasoft International into SZ Kai Hong of RMB76.25 million (equivalent to approximately HK\$92.20 million) by 31 August 2022. BJ Chinasoft International shall cease its obligation in respect of the unpaid equity capital contribution into the SZ Kai Hong.

2. THE SZ KAIHONG CAPITAL INJECTION AGREEMENT

The salient terms of the SZ Kaihong Capital Injection Agreement are set out below:

Date: 23 December 2021

Parties

1. BJ Chinasoft International
2. Yixin Technology
3. Hubble
4. CCB Chinasoft International
5. Hongju Innovation
6. SZ Kai Hong

Subject Matter

The increase of registered capital of SZ Kai Hong by RMB200 million (equivalent to approximately HK\$241.84 million) to RMB500 million (equivalent to approximately HK\$604.59 million).

Set out below are the amount of contribution to be made by each party to the registered capital of SZ Kai Hong, by way of cash, and their respective percentage of ownership in the equity interest of SZ Kai Hong:

Capital contributions

	Paid up capital as at the date of the announcement <i>RMB million</i>	Payment of outstanding capital <i>RMB million</i>	Capital contribution to be made to pursuant to SZ Kaihong Capital Injection		Registered capital of SZ Kai Hong upon completion of SZ Kai Hong Capital Injection	
			First payment <i>RMB million</i> <i>(Note 2)</i>	Second payment <i>RMB million</i> <i>(Note 3)</i>	<i>RMB million</i>	%
Hongju Innovation <i>(Note 1)</i>	76.25	76.25	1.25	1.25	155.00	31.00
Yixin Technology <i>(Note 4)</i>	nil	147.50	n.a	n.a	147.50	29.50
Hubble	n.a	n.a.	50.00	50.00	100.00	20.00
CCB Chinasoft International	n.a	n.a.	48.75	48.75	97.50	19.50
	<u>76.25</u>	<u>223.75</u>	<u>100.00</u>	<u>100.00</u>	<u>500.00</u>	<u>100.00</u>

Notes:

1. Pursuant to the Equity Transfer Agreement (i) the entire equity holding of BJ Chinasoft International in SZ Kai Hong shall be transferred to Hongju Innovation prior to the SZ Kaihong Capital Injection Completion (as defined below); and (ii) Hongju Innovation undertakes the outstanding capital contribution payment of RMB76.25 million shall be made by 31 August 2022.
2. First payment on the tenth (10) working day after all the conditions precedent of the SZ Kaihong Capital Injection Agreement has been fulfilled.

3. Second payment on 31 August 2022 or such other date as the parties the SZ Kaihong Capital Injection Agreement may agree in writing.
4. Yixin Technology shall pay RMB73.75 million of registered capital to SZ Kai Hong before the SZ Kaihong Capital Injection Completion (as defined below) and shall pay the remaining RMB73.75 million of registered capital to SZ Kai Hong on 31 August 2022 or such other date as the parties the SZ Kaihong Capital Injection Agreement may agree in writing.

Completion of the SZ Kaihong Capital Injection Agreement (the “**SZ Kaihong Capital Injection Completion**”) shall take place on the date when Hubble, CCB Chinasoft International and Hongju Innovation make their respective first payments of an aggregate amount of RMB100 million to SZ Kaihong (the “**SZ Kaihong Capital Injection Completion Date**”)

The respective contributions amount under the SZ Kaihong Capital Injection Agreement were determined after arm’s length negotiation among the parties with reference to, among other things, the future development plan of SZ Kai Hong and its funding needs.

Conditions precedents

SZ Kaihong Capital Injection Completion is conditional upon at least the fulfilment or waiver of the following conditions:

- a. All execution documents in relation to the SZ Kai Hong Capital Injection shall satisfy all parties in content and form and have been duly signed and delivered;
- b. The shareholders and board of directors of SZ Kai Hong approving on the signing and performance of the SZ Kai Hong Capital Injection including but not limited to the approval of the SZ Kai Hong Capital Injection, execution and performance of all transaction documents, modification of the articles of association, change of company directors;
- c. the underlying equity of SZ Kai Hong is free from encumbrances; and
- d. prior to the SZ Kaihong Capital Injection, all shareholders of SZ Kai Hong shall issue a written statement confirming that they do not entitled to or have waived their pre-emption rights to the SZ Kaihong Capital Injection.

The Latest Completion Date

If within sixty (60) business days after the signing of the SZ Kaihong Capital Injection Agreement, one or more conditions precedent of the SZ Kaihong Capital Injection Agreement have not been fulfilled, Hubble has the right to choose:

- a. conditionally defer the SZ Kai Hong Capital Injection Completion; or
- b. terminate the SZ Kaihong Capital Injection Agreement in accordance to the relevant terms.

Warranties given by Hongju Innovation and SZ Kai Hong

In relation to the Hongju Innovation as the ESOP of SZ Kai Hong, Hongju Innovation and SZ Kai Hong warrant and assure that:

- a. The allocation of Hongju Innovation limited partnership interests is considered a material event which shall be approved by board of directors or shareholders meeting of SZ Kai Hong; and
 - (i) procure Dr. Chen Yuhong and Mr. Peng Jiang to allocate their limited partnership interests of Hongju Innovation to employees of SZ Kai Hong. Each of Dr. Chen Yuhong and Mr. Peng Jiang shall hold no more than 10% of Hongju Innovation two years after the SZ Kai Hong Capital Injection Completion Date;
 - (ii) except for Dr. Chen Yuhong and Mr. Peng Jiang, each employee of SZ Kai Hong shall not hold more than 5% of Hongju Innovation's limited partnership interest;
 - (iii) the aforesaid percentage ratio(s) as mentioned in (i) and (ii) above may be modified by the approval of the board of directors of SZ Kai Hong;
 - (iv) 2 years after the SZ Kai Hong Capital Injection Completion Date, if the limited partnership interest of Hongju Innovation held by Dr. Chen Yuhong, Mr. Peng Jiang or any natural person exceeds the abovementioned ratio or the ratio approved by the board of directors of SZ Kai Hong, any equity holder(s) of SZ Kai Hong at that time shall have the right to request the purchase of the limited partnership held by that party. The purchase price shall be (the initial subscription price of Hongju Innovation, which is RMB1 (equivalent to approximately HK\$1.21) unit of limited partnership interest). If more than one equity holders request the purchase, they may purchase the amount of the limited partnership to be sold based on their then respective proportion of capital contribution to Hongju Innovation.

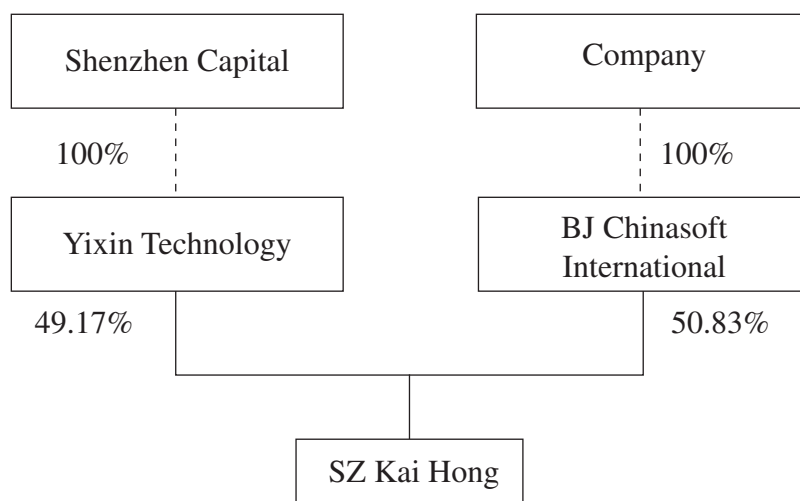
- b. the rights of Beijing Chuanghong Jushi as the general partner of Hongju Innovation shall not be affected.

Warranty given by BJ Chinasoft International

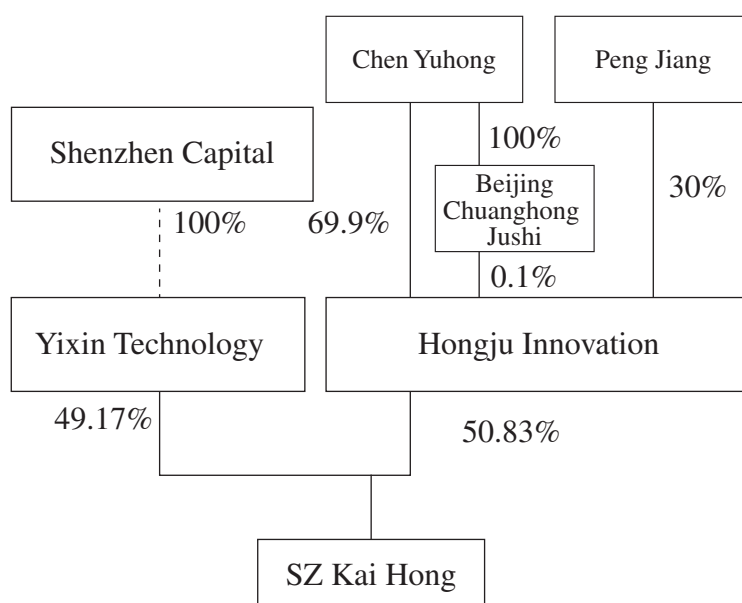
BJ Chinasoft International warrants that BJ Chinasoft International and Hongju Innovation shall enter into the Equity Transfer Agreement on 23 December 2021 (or such later date agreed by the parties signatories)

SHAREHOLDING DIAGRAM OF SZ KAI HONG

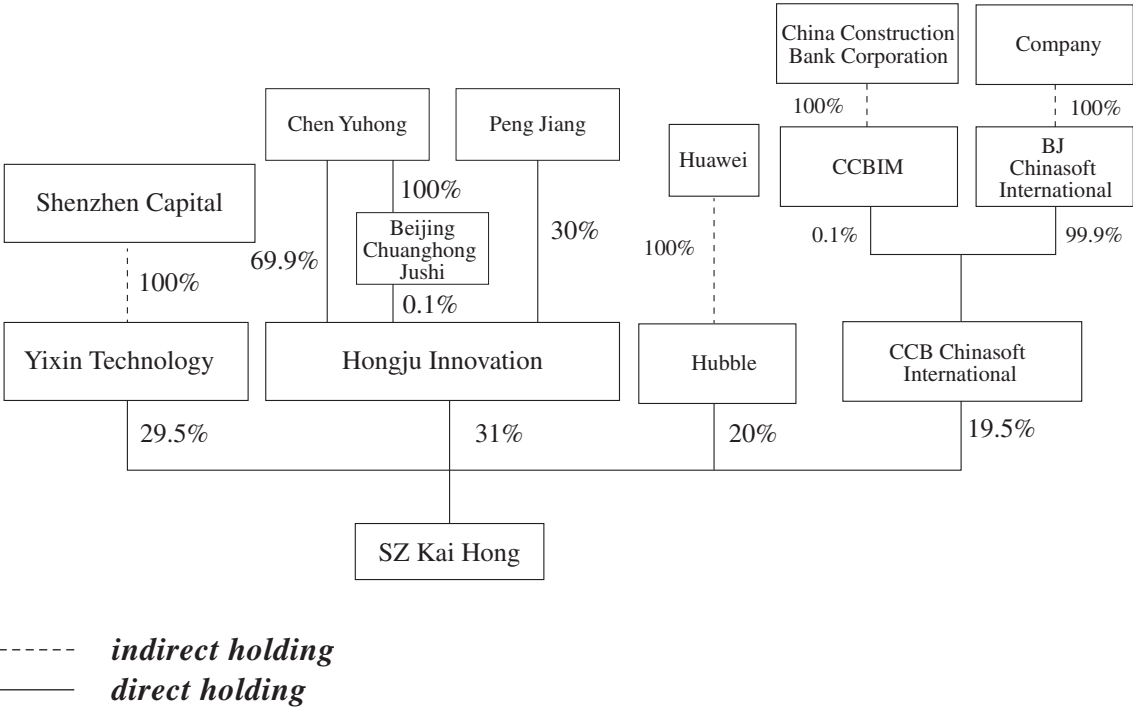
1. Existing shareholding structure of SZ Kai Hong as at the date of this announcement



2. Shareholding structure of SZ Kai Hong immediately after the completion of the equity transfer under the Equity Transfer Agreement



3. Shareholding structure of SZ Kai Hong immediately after the completion of the SZ Kaihong Capital Injection Agreement as intended



INFORMATION OF THE PARTIES TO THE TRANSACTIONS

SZ Kai Hong

SZ Kai Hong is owned by BJ Chinasoft International and Yixin Technology as to approximately 50.83% and 49.17%, respectively. The registered capital of SZ Kai Hong is RMB300 million (equivalent to approximately HK\$362.76 million), of which BJ Chinasoft International and Yixin Technology are interested in RMB152.50 million (equivalent to approximately HK\$184.40 million) and RMB147.50 million (equivalent to approximately HK\$178.36 million), respectively.

As at the date of this announcement, the registered capital of SZ Kai Hong has been paid up as to RMB76.25 million (equivalent to approximately HK\$92.20 million) and nil by BJ Chinasoft International and Yixin Technology, respectively. It is an insignificant subsidiary of the Group.

Headquartered in Shenzhen, SZ Kai Hong was established with the mission to become the flagship developer of core operating system based on OpenHarmony and engage in business related to products based on the open-source OpenHarmony operating system distribution.

Set out below are certain unaudited financial information of SZ Kai Hong, prepared under the PRC generally accepted accounting principles:

Since 26 August 2021 up to
30 November 2021
RMB'000

Net loss before taxation	18,944
Net loss after taxation	18,944

As at 30 November 2021, the unaudited net asset value of SZ Kai Hong was approximately RMB57.31 million (equivalent to approximately HK\$69.30 million).

Yixin Technology

Yixin Technology is wholly beneficially owned by Shenzhen Capital and a special-purpose vehicle established to hold interest in SZ Kai Hong.

Shenzhen Capital is a state-owned enterprise established by SZ SASAC to transform its management of state-owned assets from managing assets to managing capital; to promote the overall capital operation strategy of Shenzhen state-owned assets; as a dedicated platform and ancillaries to its the duty of managing state-owned assets; and professional platform for the operation of state-owned capital.

Hongju Innovation

Hongju Innovation is a special purpose vehicle established for the ESOP under which the limited partnership interests of Hongju Innovation shall be allocated by the its general partner to the employees of SZ Kai Hong pursuant to the terms of the SZ Kaihong Capital Injection Agreement. The general partner of Hongju Innovation is Beijing Chuanghong Jushi. Dr. Chen Yuhong together with his associate Beijing Chuanghong Jushi and Mr. Peng Jiang are its limited partners as to 70.0% and 30.0% of the limited partnership interest respectively.

The entire equity interest of Beijing Chuanghong Jushi is wholly owned by Dr. Chen Yuhong, being an executive Director, the chairman and chief executive officer of the Company.

Hubble

Hubble is an investment undertaking of Huawei. Huawei is a leading global provider of information and communications technology infrastructure and smart devices with headquarter in Shenzhen, Guangdong, China. Huawei is a private company wholly owned by its employees.

CCB Chinasoft International

CCB Chinasoft International is an investment undertaking of the Group, and a special purpose vehicle established for the purpose of investment into SZ Kai Hong. The general partner of CCB Chinasoft International is CCBIM. The sole limited partner of CCB Chinasoft International is BJ Chinasoft International.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Yixin Technology, CCBIM and Hubble and their respective ultimate beneficial owner(s) are Independent Third Parties.

FINANCIAL EFFECTS OF THE TRANSACTIONS AND USE OF PROCEEDS OF THE DISPOSAL

The gross and net proceeds from the Disposal were both approximately RMB76.25 million (equivalent to approximately HK\$92.20 million). The proceeds from the Disposal is intended to be used to fund BJ Chinasoft International's its investment into CCB Chinasoft International. Apart from the above, the Disposal is not expected to have material impact on the financial position of the Group.

Upon completion of Equity Transfer Agreement and SZ Kaihong Capital Injection Agreement, SZ Kai Hong shall cease to become a subsidiary of the Group but the Group shall have an indirect effective equity interest in SZ Kai Hong of approximately 19.50% through its 99.90% partnership interest in CCB Chinasoft International.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS AND THE SZ KAIHONG CAPITAL INJECTION AGREEMENT

The Company is a large-scale comprehensive software and information service provider, providing "end-to-end" information technology services to global customers, in cloud computing, artificial intelligence, big data, internet of things, blockchain, 5G and other new technologies. BJ Chinasoft International is an indirect wholly owned subsidiary of the Group.

The Company has been carrying out various strategic cooperations with various parties in relation to the development of the release version of the OpenHarmony operating system and the application of the same to a wide range of industries. OpenHarmony is an open-source project incubated and operated by the OpenAtom Foundation. The goal is to build a framework and platform for the intelligent terminal device operating system based on open source for the era of full scenarios, full connectivity, and full intelligence to promote the prosperity and development of the Internet of Everything industry. The Transactions will (i) build a high-tech product business with root technical capability and domestic artificial intelligence and Internet of Things (IoT) operating system as the core; (ii) build an ecological enabling business centered on the domestic artificial intelligence and IoT operating system with the extension of product business, and build a more solid cornerstone business through traction, so as to establish a multi-level, full-stack, interactive development and comprehensive growth business structure of ABG covering products, ecological enabling and cornerstones and form new business

“Beijing Chuanghong Jushi”	北京創鴻聚勢諮詢管理有限公司(Beijing Chuanghong Jushi Consulting Management Company Limited*), a company established in the PRC with limited liability
“BJ Chinasoft International”	北京中軟國際信息技術有限公司 (Beijing Chinasoft International Information Technologies Company Limited*), a company established in the PRC with limited liability
“Board”	the board of directors of the Company
“CCB Chinasoft International”	深圳建信中軟國際投資合伙企業(有限合夥)(Shenzhen CCB Trust Chinasoft International Investment Partnership Enterprise (Limited Partnership)*), a limited partnership established in the PRC.
“CCBIM”	建信(北京)投資基金管理有限責任公司(CCB Beijing Investment Funds Management Co., Ltd.*), a company established in the PRC with limited liability and a member company of China Construction Bank Corporation
“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)”	has the meaning ascribed thereto in the Listing Rules
“Disposal”	the transaction contemplated under the Equity Transfer Agreement
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 23 December 2021 entered into between BJ Chinasoft International and Hongju Innovation in respect of the Disposal
“ESOP”	the employee share ownership and incentive plan of SZ Kai Hong contemplated under the SZ Kaihong Capital Injection Agreement
“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
“Hongju Innovation”	鴻聚創新(北京)信息技術合夥企業(有限合夥) (Hongju Innovation (Beijing) Information Technologies Partnership Enterprise (Limited Partnership*)), a limited partnership established in the PRC
“Huawei”	Huawei Investment and Holding Co., Ltd, a company established in the PRC with limited liability
“Hubble”	深圳哈勃科技投資合夥企業(有限合夥) SZ Hubble Technology Investment Partnership Enterprise (Limited Partnership)*, a limited partnership established in the PRC
“Independent Third Party(ies)”	party(ies) independent of and not connected with the Company and its connected persons
“insignificant subsidiary(ies)”	having the meaning as defined in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Transfer Equity Interest”	Approximately 50.83% equity interest in SZ Kai Hong
“Shenzhen Capital”	Shenzhen Capital Holdings Co., Ltd, a company established in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SZ Kai Hong”	深圳開鴻數字產業發展有限公司(Shenzhen Kaihong Digital Industry Development Co., Ltd*), a company established in the PRC with limited liability on 26 August 2021
“SZ Kai Hong Capital Injection”	the transaction contemplated under the SZ Kaihong Capital Injection Agreement

“SZ Kaihong Capital Injection Agreement”	the capital injection agreement dated 23 December 2021 entered into among BJ Chinasoft International, Yixin Technology, Hubble, CCB Chinasoft International, Hongju Innovation and SZ Kai Hong in respect of the capital injection into SZ Kai Hong
“SZ SASAC”	State owned Assets Supervision and Administration of the People’s Government of Shenzhen Municipal
“Transactions”	the transaction contemplated under the Equity Transfer Agreement and the SZ Kaihong Capital Injection Agreement
“Yixin Technology”	深圳市億鑫科技投資有限公司 (Shenzhen Yixin Technology Investment Company Limited*), a company established in the PRC with limited liability
“%”	per cent.

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

Hong Kong, 23 December 2021

As at the date of this announcement, the Board comprises three executive Directors, namely Dr. Chen Yuhong (Chairman and Chief Executive Officer), Dr. He Ning (Vice Chairman) and Dr. Tang Zhenming, three non-executive Directors, namely Dr. Zhang Yaqin, Mr. Gao Liangyu and Mrs. Gavriella Schuster, and three independent non-executive Directors, namely Mr. Zeng Zhijie, Dr. Lai Guanrong and Professor Mo Lai Lan.

For illustration purpose only, RMB has been translated to HK\$ in this announcement at the exchange rate of HK\$1.00 = RMB0.827

* For identification purpose only