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

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

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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**

**Independent Financial Adviser to the Independent Board Committee
and Independent Shareholders**



Gram Capital Limited

嘉林資本有限公司

A notice convening the extraordinary general meeting (the “EGM”) of Chinasoft International Limited (the “Company”) to be held at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen’s Road Central, Hong Kong at 3:00 p.m. on Thursday, 10 December 2015 is contained in this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend such meeting, please complete and return the form of proxy enclosed herewith in accordance with the instructions printed thereon to the Company’s branch share registrar 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 or the principal place of business of the Company in Hong Kong at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen’s Road Central, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for 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 at the EGM or any adjournment thereof (as the case may be) if you so wish.

* For identification purposes only

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DEFINITIONS

In this circular, the following expressions shall have the meanings stated below unless the context otherwise requires:

- “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 (1) and (2) 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;
- “close associates(s)” : such term has the meaning ascribed to it under the Listing Rules;
- “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;

DEFINITIONS

- “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 at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen’s Road Central, Hong Kong at 3:00 p.m. on Thursday, 10 December 2015 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 Dr. Lai Guanrong, to consider and advise on the fairness and reasonableness of the terms of the Subscription and Acquisition Agreement;
- “Independent Financial Adviser” or “Gram Capital” : Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to Independent Board Committee and the Independent Shareholders in respect of, among other things, the Subscription and Acquisition Agreement and the transactions contemplated thereunder;
- “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);
- “Latest Practicable Date” : 19 November 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;

DEFINITIONS

“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 circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan);
“RMB”	:	Renminbi, the lawful currency of the PRC;
“SFO”	:	Securities and Futures Ordinance, Cap 571 of the laws of Hong Kong;
“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;

DEFINITIONS

- “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 Latest Practicable Date;
- “US\$” : the United States Dollar, the lawful currency of the United States of America; and
- “%” : per cent.

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

Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

LETTER FROM THE BOARD



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)

Executive Directors:

Dr. Chen Yuhong (*Chairman and Chief Executive Officer*)

Dr. Tang Zhenming

Mr. Wang Hui

Non-Executive Director:

Dr. Zhang Yaqin

Independent Non-Executive Directors:

Mr. Zeng Zhijie

Dr. Leung Wing Yin Patrick

Dr. Lai Guanrong

Registered Office:

Cricket Square,

Hutchins Drive, P.O. Box 2681,

Grand Cayman, KY1-1111

Cayman Islands

Principal place of business in

Hong Kong:

Unit 4607-8, 46th Floor,

COSCO Tower,

No. 183 Queen's Road Central,

Hong Kong

23 November 2015

To the Shareholders

Dear Sir or Madam,

**(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**

INTRODUCTION

Reference is made to the announcement of the Company dated 26 October 2015 in relation to the Subscription and the Acquisition.

The purpose of this circular is to provide the Shareholders with: (i) details of the Subscription and the Acquisition Agreement; (ii) the letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders; and (iv) the notice convening the EGM and a proxy form.

* For identification purposes only

LETTER FROM THE BOARD

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;

LETTER FROM THE BOARD

- 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).

LETTER FROM THE BOARD

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. 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.

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 decide 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.

(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;

LETTER FROM THE BOARD

- 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); and
- 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 PRC (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

LETTER FROM THE BOARD

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 be 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 to 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.

LETTER FROM THE BOARD

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 revenue contribution from Huawei to the Target Company accounted for over 50% of the total revenue of the Target Company for each of the two financial years ended 31 December 2014. 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.

In order to fulfill the undertaking above and establish a formal communication platform between the Company and Huawei, the Company, Huawei and CSI (China) undertake that they will procure the Target Company 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 24.93% to the closing price of HK\$3.73 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (ii) a discount of approximately 14.11% to the closing price of HK\$3.26 per Share as quoted on the Stock Exchange on date of the Subscription and Acquisition Agreement;
- (iii) 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 date of the Subscription and Acquisition Agreement; and

LETTER FROM THE BOARD

- (iv) 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 date of the Subscription and Acquisition Agreement.

The Subscription Price was arrived at after arm's length negotiations between the Company and Huawei after taking into account the prevailing market price (i.e. the downward trend of closing price of the Shares since 1 June 2015) and average daily trading volume of approximately 27.1 million Shares from 1 June 2015 up to and including the date of the Subscription and Acquisition Agreement (i.e. relatively thin when compared with 85,109,515 Subscription Shares, representing approximately 3 times of the average daily trading volume of the mentioned period) 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.

Set out below is a chart showing the daily closing price of Shares as quoted on the Stock Exchange from 1 June 2015 up to and including the Latest Practicable Date:



Source: The Stock Exchange (www.hkex.com.hk)

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 4.13% and 3.97% of the issue share capital of the Company as at the Latest Practicable Date 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 Latest Practicable Date up to and including the Subscription Completion Date. The aggregate nominal value of the Subscription Shares is HK\$4,255,475.75.

LETTER FROM THE BOARD

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 has been 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 Latest Practicable Date and up to and including the Subscription Completion Date:–

Shareholders	As at the Latest Practicable Date		Immediately after the issue and allotment of the Subscription Shares	
	Shares	%	Shares	%
Directors				
Dr. Chen Yuhong (<i>Note</i>)	254,392,861	12.36	254,392,861	11.86
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	1,794,735,293	87.14	1,794,735,293	83.68
Total	2,059,487,757	100.00	2,144,597,272	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.

LETTER FROM THE BOARD

FUND RAISING DURING THE PAST TWELVE MONTHS

Date of announcements	Fund raising exercise	Net proceeds received/to be received	Intended use of proceeds as disclosed in the relevant announcements	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.	– Not applicable <i>(Note)</i>	– Not applicable <i>(Note)</i>
4 May 2015	Placing of new shares under general mandate	HK\$179.0 million	<ul style="list-style-type: none"> – HK\$80 million was intend to be used to acquire oversea companies with large data volume processing capabilities in the finance industry; – HK\$50 million was intended to be used to expand enterprise cloud services channels and develop a enterprise cloud platform; and – the remaining proceeds was intended to 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. 	– HK\$80 million will be used to acquire oversea companies with large data volume processing capabilities in the finance industry and the amount is currently maintained at banks.

LETTER FROM THE BOARD

Date of announcements	Fund raising exercise	Net proceeds received/to be received	Intended use of proceeds as disclosed in the relevant announcements	Actual use of proceeds	Intended use of any amount not yet utilized
4 May 2015	Subscription of 50 million new Shares	HK\$181.5 million	<ul style="list-style-type: none"> - approximately HK\$100 million was intended to be used for the collaboration with Bank of Communications Co., Ltd. to develop businesses related to supply chain financing; - approximately HK\$34 million was intended to be used for the development of internet financing and related businesses; - approximately HK\$25 million was intended to be used for the operation and promotion of the Company's strategic product – JointForce platform; and - the remaining portion of the proceeds was intended to be utilized for general working capital purposes. 	<ul style="list-style-type: none"> - approximately HK\$34 million had been used for the development of internet financing and related businesses; - approximately HK\$25 million had been used for the operation and promotion of the Company's strategic product – JointForce platform; and - HK\$22.5 million had been utilized for general working capital. 	<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.

Note: According to the announcement of the Company dated 26 October 2015, the term sheet regarding the proposed issuance of convertible bonds was non-legally binding. The terms of the proposed issuance of the convertible bonds (“**CB Issuance**”) are still under negotiation and may be subject to further changes. No definitive agreement or arrangement had been entered into as at the Latest Practicable Date and the Company will comply with the applicable requirements under the Listing Rules in the event that any agreement regarding the CB Issuance is entered into by the Company.

LETTER FROM THE BOARD

Save as disclosed above, the Company has not conducted any equity fund raising activity during the past 12 months immediately preceding the Latest Practicable Date.

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 Latest Practicable Date of this circular, 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:

(RMB 'million)

	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.

LETTER FROM THE BOARD

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 RMB1 billion, and its net profit for the corresponding period was more than RMB100 million. Upon the Acquisition Completion, the Target Company will become a wholly-owned subsidiary of the Company.

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” in this letter, both the Company and Huawei undertake that the Acquisition Completion will not affect the business and strategic cooperation between them.

LETTER FROM THE BOARD

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.

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. As at the Latest Practicable Date, Huawei and its associates did not hold any Shares.

No Director has any interest in the transactions contemplated under the Subscription and Acquisition Agreement and thus no Director has to abstain from voting on the Board resolution for approving the Subscription and Acquisition Agreement.

EXTRAORDINARY GENERAL MEETING

The EGM will be held at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen's Road Central, Hong Kong at 3:00 p.m. on Thursday, 10 December 2015. A proxy form for use at the EGM is despatched to you with this circular. Whether or not you intend to attend the EGM, you are requested to complete the proxy form and return it to the Company's branch share registrar 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 or the principal place of business of the Company at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen's Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM.

RECOMMENDATION

The letter from the Independent Board Committee set out on pages 20 to 21 of this circular containing its recommendation to the Independent Shareholders and the letter from Gram Capital set out on pages 22 to 37 of this circular containing its advice and recommendation to the Independent Board Committee and to the Independent Shareholders, on the Subscription and Acquisition Agreement.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors), having taken into account the advice of Gram Capital, consider that the terms of the Subscription and Acquisition Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM regarding the Subscription and Acquisition Agreement as set out in the notice of the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the general information set out in the Appendix to this circular.

Yours faithfully,
By order of the Board
Chinasoft International Limited
CHEN Yuhong
Chairman and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the full text of the letter from the Independent Board Committee to the Independent Shareholders which was prepared for the purpose of inclusion in this circular.



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)

23 November 2015

To the Independent Shareholders

Dear Sir or Madam,

- (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**

We refer to the circular of the Company dated 23 November 2015 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the Subscription and Acquisition Agreement, are on normal commercial terms or better and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same respect.

We wish to draw your attention to the letter from the Board set out on pages 5 to 19 of the Circular which contain information in connection with the Subscription and Acquisition Agreement, and the letter from Gram Capital set out on pages 22 to 37 of the Circular which contains its advice and recommendation in the same respect.

Having considered the terms of the Subscription and Acquisition Agreement, the advice and recommendation of Gram Capital and the relevant information contained in the letter from the Board, we are of the opinion that the entering into of the Subscription and Acquisition Agreement is in the ordinary and usual course of business of the Group, the terms of the Subscription and Acquisition Agreement are on normal commercial terms or better, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Subscription and Acquisition Agreement.

Yours faithfully,
for and on behalf of

**Independent Board Committee of
Chinasoft International Limited**

Zeng Zhijie
*Independent non-executive
Director*

Leung Wing Yin, Patrick
*Independent non-executive
Director*

Lai Guanrong
*Independent non-executive
Director*

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and Acquisition for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

23 November 2015

*To: The independent board committee and the independent shareholders
of Chinasoft International Limited*

Dear Sirs,

**(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**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription and Acquisition, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 23 November 2015 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

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.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, 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. Accordingly, the Subscription 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 of 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.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Zeng Zhijie, Dr. Leung Wing Yin Patrick and Dr. Lai Guanrong, has been established to advise the Independent Shareholders on (i) whether the terms of the Subscription and Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Subscription and the Acquisition are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the independent Shareholders should vote in respect of the resolution(s) to approve the Subscription and Acquisition Agreement and the transactions contemplated thereunder at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Besides that, (i) we have not acted as independent financial adviser in respect of any transaction of the Company in the last two years; and (ii) apart from the advisory fee and expenses payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful

LETTER FROM GRAM CAPITAL

consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Subscription and Acquisition. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

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, which to the best of their knowledge and belief, that the information contained in the 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 in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Huawei, the Target Company or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Subscription and Acquisition. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Subscription and Acquisition, we have taken into consideration the following principal factors and reasons:

Background and reasons for the Subscription and Acquisition

Business overview of the Group

With reference to the Board Letter, 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.

LETTER FROM GRAM CAPITAL

Set out below is a summary of the consolidated financial information on the Group for the six months ended 30 June 2015 and the two years ended 31 December 2014 as extracted from the Company's interim report for the six months ended 30 June 2015 (the "2015 Interim Report") and the annual report for the year ended 31 December 2014 (the "2014 Annual Report"):

	For the six months ended 30 June 2015 <i>RMB'000</i> (unaudited)	For the year ended 31 December 2014 <i>RMB'000</i> (audited)	For the year ended 31 December 2013 <i>RMB'000</i> (audited)	Year on year change %
Revenue	2,388,751	4,429,202	3,205,985	38.15
– Professional services business ("PSG")	961,819	1,985,889	1,568,556	26.61
– Outsourcing services business ("OSG")	1,160,716	2,026,301	1,388,388	45.95
– Emerging services business ("ESG")	220,487	325,898	154,678	110.69
– Training business	45,729	91,114	94,363	(3.44)
Profit for the period/year	143,060	255,056	200,028	27.51
	As at 30 June 2015 <i>RMB'000</i> (unaudited)	As at 31 December 2014 <i>RMB'000</i> (audited)	As at 31 December 2013 <i>RMB'000</i> (audited)	Year on year change %
Bank balances and cash	554,235	811,435	940,823	(13.75)
Net assets	3,244,577	2,701,031	2,441,201	10.64

As depicted by the above table, the Group recorded a substantial increase in revenue of approximately 38.15% from approximately RMB3,205.99 million for the year ended 31 December 2013 to approximately RMB4,429.20 million for the year ended 31 December 2014. For the year ended 31 December 2014, the revenue generated from each of PSG, OSG, and ESG accounted for approximately 44.84%, 45.75%, and 7.36% of the total revenue respectively, and represented an increase of approximately 26.61%, 45.95% and 110.69% respectively as compared to previous year. During the same said year under review, the net profit of the Group also grew substantially by approximately 27.51%. As at 30 June 2015, the Group recorded bank balances and cash of approximately RMB554.24 million.

According to the 2014 Annual Report and as confirmed by the Directors, the Group will continue to build a platform for the enterprise and strive to be the best industrial integrator in the information technology and software services area in China in the future.

LETTER FROM GRAM CAPITAL

Information on the Huawei

With reference to the Board Letter, 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.

Information of the Target Company

With reference to the Board Letter, 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 Latest Practicable Date, 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:

	For the year ended 31 December 2014	For the year ended 31 December 2013	Change from 2013 to 2014
	<i>RMB'million</i>	<i>RMB'million</i>	<i>%</i>
Net profit before taxation	121.21	99.04	22.38
Net profit after taxation	109.82	99.04	10.88

According to the above table, the Target Company recorded an increase of approximately 10.88% in net profit after tax from 2013 to 2014. With reference to the Board Letter, the unaudited net asset value of the Target Company attributable to its equity holders as at 31 December 2014 was approximately RMB307.97 million.

Reasons for and benefits of entering into the Subscription and Acquisition Agreement

With reference to the Board Letter, 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.

LETTER FROM GRAM CAPITAL

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 for each of the three years ended 31 December 2014. 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. The revenue of the Target Company was more than RMB1 billion and its net profit was more than RMB100 million for the year ended 31 December 2014. Upon the Acquisition Completion, the Target Company will become a wholly-owned subsidiary of the Company.

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" in the Board Letter, both the Company and Huawei undertake that the Acquisition Completion will not affect the business and strategic cooperation between them. The revenue contribution from Huawei to the Target Company accounted for over 50% of the total revenue of the Target Company for each of the two financial years ended 31 December 2014. 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. Furthermore, in order to fulfil the undertaking above and establish a formal communication platform between the Company and Huawei, the Company, Huawei and CSI (China) undertake that they will procure the Target Company to establish the Huawei Business Management Committee (the "**Management Committee**"), which 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.

The gross proceeds from the issue of the Subscription Shares will be HK\$238,306,641, which is the same as the Acquisition Consideration. 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.

In view of that (i) the Acquisition is in line with the business development of the Group; (ii) IT Outsourcing is one of the principal activities of the Group for the three years ended 31 December 2014; (iii) the financial performance of the Target Company; (iv) the proposed establishment of the Management Committee upon the Acquisition Completion and the function of the Management Committee; (v) the Subscription provides a positive demonstration effect in the market, enabling further potential cooperation with other corporate customers; (vi) the proposed use of proceeds from the Subscription, we concur with the Directors that the Acquisition and the Subscription are in the interests of the Company and the Shareholders as a whole.

LETTER FROM GRAM CAPITAL

The Subscription and Acquisition Agreement

The table below summarises the major terms for the Subscription and Acquisition Agreement:

Date

26 October 2015

Parties

The Company

Huawei; and

CSI (China)

(i) The Subscription

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 4.13% and 3.97% of the issue share capital of the Company as at the Latest Practicable Date 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 Latest Practicable Date up to and including the Subscription Completion Date.

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.

Subscription Price

The Subscription Price of approximately HK\$2.80 represents:

- (i) a discount of approximately 24.93% to the closing price of HK\$3.73 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (ii) a discount of approximately 14.11% to the closing price of HK\$3.26 per Share as quoted on the Stock Exchange on 26 October 2015 (the “**Agreement Date**”), being the date of the Subscription and Acquisition Agreement (the “**Agreement Date Discount**”);
- (iii) 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 Agreement Date; and
- (iv) 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 Agreement Date.

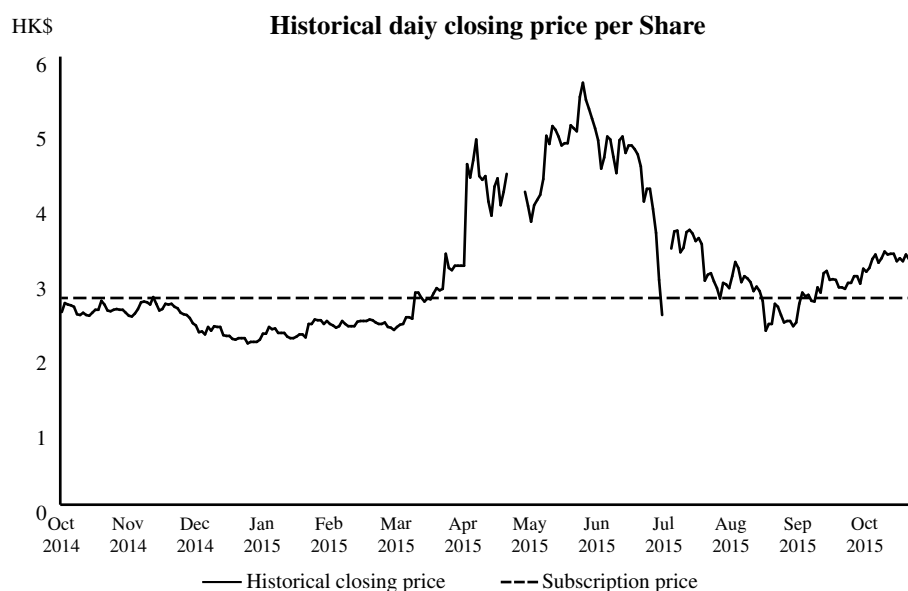
LETTER FROM GRAM CAPITAL

With reference to the Board Letter, the Subscription Price was arrived at after arm's length negotiations between the Company and Huawei after taking into account the prevailing market price (i.e. the downward trend of closing price of the Shares since 1 June 2015) and average daily trading volume of approximately 27.1 million Shares from 1 June 2015 up to and including the date of the Subscription and Acquisition Agreement (i.e. relatively thin when compared with 85,109,515 of Subscription Shares), representing approximately 3 times of the average daily trading volume of the mentioned period 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.

To further assess the fairness and reasonableness of the Subscription Price, we set out the following informative analyses for illustrative purpose:

Review on Share prices

The diagram demonstrating the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 3 October 2014 up to and including the Agreement Date (the “**Review Period**”) (being a period of approximately one year prior to and including the Agreement Date, which is commonly used for analysis purpose) are shown as follows:



Source: the Stock Exchange web-site (www.hkex.com.hk)

Note: Trading in Shares were halted from 1:00 p.m. on 27 April 2015 to 4 May 2015 (both days inclusive), on 8 July 2015 and 9 July 2015.

During the Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK\$2.16 per Share recorded on 29 December 2014 and HK\$5.65 per Share recorded on 1 June 2015 respectively. As illustrated in the above diagram, the Subscription Price of HK\$2.80 is within the range of the lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Review Period.

LETTER FROM GRAM CAPITAL

We also noticed that the closing prices of the Shares had been relatively stable from October 2014 to February 2015. The closing prices of the Shares then surged substantially from March 2015 to June 2015. After the closing price of the Shares reached its peak of HK\$5.65 per Share on 1 June 2015, the closing price of the Shares showed a decreasing trend from June 2015 to September 2015. According to the Directors, they were not aware of any specific events of the Company which had happened during the Review Period and might cause the said movement in the Share prices.

Comparison with other share subscription exercises

As part of our analysis, we have also identified transactions regarding subscription of new shares during the period from 27 August 2015 up to the Agreement Date (being two months prior to and including to the Agreement Date) as announced by companies listed on the Stock Exchange (the “**Share Comparables**”). To the best of our knowledge and as far as we are aware of, we found 28 transactions which met the said criteria. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the subject companies of the Share Comparables and thus the Share Comparables are only used to demonstrate for the recent (two months period prior to and including to the Agreement Date) common market practice of Hong Kong listed companies in subscription of new shares. Summarised below is our relevant finding:

Company name	Stock code	Date of announcement	Premium/(Discount) of the subscription price over/(to) closing price per share on the last trading day prior to/the date of announcement/ agreement in relation to the respective subscription of share %
China Seven Star Holdings Limited	245	27 August 2015	(89.89)
Convoy Financial Holdings Limited	1019	28 August 2015	(5.41)
Global Bio-chem Technology Group Company Limited	809	30 August 2015	(33.33)
CT Environmental Group Limited	1363	30 August 2015	0.98
Quam Limited	952	31 August 2015	(59.93)
PetroAsian Energy Holdings Limited	850	2 September 2015	(22.16)
China Financial International Investments Limited	721	3 September 2015	(78.26)
PetroAsian Energy Holdings Limited	850	4 September 2015	(17.37)
Zheda Lande Scitech Limited	8106	9 September 2015	(11.39)
China Household Holdings Limited	692	14 September 2015	(6.25)
Mongolia Energy Corporation Limited	276	15 September 2015	(2.00)
Common Splendor International Health Industry Group Limited	286	16 September 2015	(18.18)
Amber Energy Limited	90	18 September 2015	(19.17)
Yuan Heng Gas Holdings Limited	332	21 September 2015	(14.29)

LETTER FROM GRAM CAPITAL

Company name	Stock code	Date of announcement	Premium/(Discount) of the subscription price over/(to) closing price per share on the last trading day prior to/the date of announcement/agreement in relation to the respective subscription of share %
Petro-king Oilfield Services Limited	2178	24 September 2015	14.50
China Everbright Bank Company Limited	6818	25 September 2015	42.75
China Ocean Shipbuilding Industry Group Limited	651	28 September 2015	15.56
Ban Loong Holdings Limited (formerly known as ABC Communications (Holdings) Limited)	30	29 September 2015	(7.94)
Global Strategic Group Limited	8007	29 September 2015	(82.90)
Crown International Corporation Limited	727	7 October 2015	0.78
Link Holdings Limited	8237	8 October 2015	(65.63)
SRE Group Ltd.	1207	12 October 2015	(74.36)
China Titans Energy Technology Group Company Limited	2188	12 October 2015	(15.00)
China Precious Metal Resources Holdings Company Limited	1194	13 October 2015	(15.25)
LVGEM (China) Real Estate Investment Company Limited	95	13 October 2015	(12.35)
Sino Resources Group Limited	223	23 October 2015	4.97
China Smartpay Group Holdings Limited	8325	25 October 2015	(0.50)
LVGEM (China) Real Estate Investment Company Limited	95	26 October 2015	(14.06)
Statistics for Share Comparables from 27 September 2015 up to the Agreement Date (being one month prior to and including to the Agreement Date)			
Minimum (excluding outliers)			(15.25)
Maximum (excluding outliers)			15.56
Average (excluding outliers)			(4.87)
Statistics for Share Comparables from 27 August 2015 up to the Agreement Date (being two months prior to and including to the Agreement Date)			
Minimum (excluding outliers)			(33.33)
Maximum (excluding outliers)			42.75
Average (excluding outliers)			(6.14)
The Subscription		26 October 2015	(14.11)

LETTER FROM GRAM CAPITAL

Among the Share Comparables, we noted that the subscription prices of China Seven Star Holdings Limited (stock code: 245), Quam Limited (stock code: 952), China Financial International Investments Limited (stock code: 721), Global Strategic Group Limited (stock code: 8007), Link Holdings Limited (stock code: 8237) and SRE Group Limited (stock code: 1207) represent exceptional deep discounts to their closing prices per share on the last trading day prior to the date of agreement as compared with those of the other Share Comparables. We are therefore of the view that the subscription prices of the aforesaid companies are outliers.

After excluding the outliers, (i) in respect of the Share Comparables for the period from 27 September 2015 up to the Agreement Date (being one month prior to and including to the Agreement Date), the subscription prices of the Share Comparables ranged from a discount of approximately 15.25% to a premium of approximately 15.56% to the respective closing prices of their shares on the last trading days prior to/on the date of the announcements/agreements in relation to the relevant share subscription; and (ii) in respect of the Share Comparables for the period from 27 August 2015 up to the Agreement Date (being two months prior to and including to the Agreement Date), the subscription price of the Share Comparables ranged from a discount of approximately 33.33% to a premium of approximately 42.75% to the respective closing prices of their shares on the last trading days prior to/on the date of the announcements/agreements in relation to the relevant share subscription. Accordingly, the Agreement Date Discount of approximately 14.11% as represented by the Subscription Price is within the aforementioned market ranges (the “**Market Ranges**”).

Having taken into account that (i) the Subscription Price of HK\$2.80 is within the range of the lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Review Period; and (ii) the Agreement Date Discount is within the Market Ranges, we consider that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

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.

As aforementioned, we concur with the Directors that the lock-up period would limit the negative impact of the issuance of new Shares on the market price of the Shares.

(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.

LETTER FROM GRAM CAPITAL

The 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).

Trading multiples analysis

For the purpose of assessing the fairness and reasonableness of the Acquisition Consideration, we have performed a trading multiples analysis which includes the price to earnings (earnings attributable to the owners of the respective companies) ratio (“**PER**”) and the price to book (net asset value attributable to the owners of the respective companies) ratio (“**PBR**”). We have searched for companies listed in Hong Kong which are engaged in similar line of business as the Target Company, being the provision of IT solution, development of software/systems, and derived a majority of their turnover from such business based on their respective latest published financial information (the “**Market Comparables**”) for comparison. To the best of our knowledge and endeavour, we found 14 Hong Kong listed companies which met the said criteria and they are exhaustive as far as we are aware of. Shareholders should note that the businesses, operations and prospects of the Company/the Target Company are not exactly the same as the Market Comparables.

Set out below are the PERs and PBRs of the Market Comparables based on their closing prices as at (i) 26 October 2015, being the Agreement Date; and (ii) the Latest Practicable Date, and their latest published financial information:

Company name (Stock code)	Principal business	Year end date	As at the Agreement Date		As at the Latest Practicable Date	
			PER <i>(Note 1)</i>	PBR <i>(Note 1)</i>	PER <i>(Note 1)</i>	PBR <i>(Note 1)</i>
Computer And Technologies Holdings Ltd. (46)	Provision of enterprise applications software and related services, business process outsourcing, e-business; provision of system and network integration, IT solutions development and implementation, and property and treasury investments.	31 December 2014	14.16	1.62	13.96	1.60
Sino-i Technology Ltd. (250)	Provision of corporate IT application services.	31 December 2014	N/A <i>(Note 2)</i>	1.63	N/A <i>(Note 2)</i>	1.55
New Sports Group Limited (299)	Provision of outsourcing software development services and technical support services.	31 December 2014	N/A <i>(Note 2)</i>	7.38	N/A <i>(Note 2)</i>	6.58
Founder Holdings Ltd. (418)	Software development, systems integration and distribution of information products.	31 December 2014	97.77	0.68	101.53	0.70

LETTER FROM GRAM CAPITAL

Company name (Stock code)	Principal business	Year end date	As at the Agreement Date		As at the Latest Practicable Date	
			PER <i>(Note 1)</i>	PBR <i>(Note 1)</i>	PER <i>(Note 1)</i>	PBR <i>(Note 1)</i>
Hi Sun Technology (China) Ltd. (818)	Provision of telecommunication solutions, financial solutions, payment solutions and sales of electronic power meters and solutions.	31 December 2014	10.91	1.34	10.42	1.28
Sinosoft Technology Group Ltd. (1297)	Software development, system integration, information integration solutions, sales of related computer products and provision of other related services.	31 December 2014	27.76	4.80	28.26	4.89
Chanjet Information Technology Co. Ltd. (1588)	Provision of enterprise software and services designed for micro and small scale enterprises in China.	31 December 2014	26.27	2.22	28.35	2.39
Enterprise Development Holdings Ltd. (1808)	Provision of integrated business software solutions and trading of listed securities.	31 December 2014	28.80	0.60	27.15	0.56
China ITS (Holdings) Co., Ltd. (1900)	Provision of intelligent transportation systems and transportation infrastructure technology solutions and services to expressway, railway (including rapid transit), and urban traffic segments in the PRC.	31 December 2014	N/A <i>(Note 2)</i>	0.53	N/A <i>(Note 2)</i>	0.49
Vodatel Networks Holdings Ltd. (8033)	Provision of network and systems infrastructure and applications, CNMS and customised software solutions.	31 December 2014	6.60	0.77	6.19	0.72
Global Link Communications Holdings Ltd. (8060)	Provision of train information systems, and development of various community mobile Internet applications and related services through the licensed utilisation of the CA-SIM patented technology.	31 March 2015	N/A <i>(Note 2)</i>	3.47	N/A <i>(Note 2)</i>	3.35
Sing Lee Software (Group) Ltd. (8076)	Development and sale of information and network technologies and services to the financial industry in the PRC.	31 December 2014	381.55	N/A <i>(Note 3)</i>	299.09	N/A <i>(Note 3)</i>
ICO Group Ltd. (8140)	Provision of IT application and solution development services; secondment services; maintenance and support services; and IT infrastructure solutions.	31 March 2015	177.41	26.75	195.35	29.46

LETTER FROM GRAM CAPITAL

Company name (Stock code)	Principal business	Year end date	As at the Agreement Date		As at the Latest Practicable Date	
			PER <i>(Note 1)</i>	PBR <i>(Note 1)</i>	PER <i>(Note 1)</i>	PBR <i>(Note 1)</i>
China Information Technology Development Ltd. (8178)	Development and sale of computer software and hardware and the provision of system integration and related support services in the PRC.	31 December 2014	636.41	1.77	714.11	1.98
Minimum (excluding outliers)			6.60	0.53	6.19	0.49
Maximum (excluding outliers)			28.80	7.38	28.35	6.58
Average (excluding outliers)			19.08	2.23	19.06	2.17
The Acquisition			4.41	1.57		

Notes:

1. The PERs of the Market Comparables were calculated based on their respective latest published annual results and the PBRs of the Market Comparables were calculated based on their respective latest published annual results or interim results.
2. The selected companies were loss making during the relevant latest financial year.
3. The selected company recorded net liabilities as at 30 June 2015.
4. The implied PER of the Consideration was calculated based on the Acquisition Consideration and 40% of the profit after tax of the Target Group for the year ended 31 December 2014.
5. The implied PBR of the Consideration was calculated based on the Consideration and the net asset value of the Target Company as at 31 December 2014.

The analysis below is according to the PERs and PBRs of the Market Comparables based on their closing prices as at 26 October 2015, being the Agreement Date.

Among the Market Comparables, we noted that the PERs of Founder Holdings Ltd. (Stock code: 418), Sing Lee Software (Group) Ltd. (Stock code: 8076), ICO Group Ltd. (Stock code: 8140) and China Information Technology Development Ltd. (Stock code: 8178) were exceptionally high as compared with those of the other Market Comparables. We are therefore of the view that the PERs of the aforesaid listed companies are outliers for the PERs analysis.

Having excluded the aforesaid outliers for the PERs analysis, we noticed from the above table that the PERs of the Market Comparables ranged from approximately 6.60 times to 28.80 times, with an average of approximately 19.08 times. Given that the implied PER of the Acquisition Consideration is approximately 4.41 times, the implied PER of the Acquisition Consideration is below the minimum of the said PERs range of the Market Comparables.

Among the Market Comparables, we noted that the PBR of ICO Group Ltd. (Stock code: 8140) was exceptionally high as compared with those of the other Market Comparables. We are therefore of the view that the PER of the aforesaid listed company is outlier for the PBRs analysis.

LETTER FROM GRAM CAPITAL

Having excluded the aforesaid outlier for the PBRs analysis, we noticed from the above table that the PBRs of the Market Comparables ranged from approximately 0.53 times to 7.38 times, with an average of approximately 2.23 times. Given that the implied PBR of the Acquisition Consideration is approximately 1.57 times, the implied PBR of the Acquisition Consideration is within the said PBRs range of the Market Comparables.

In light of that (i) the implied PER of the Acquisition Consideration is below the minimum of the PERs range of the Market Comparables; and (ii) the implied PBR of the Acquisition Consideration is within the PBRs range of the Market Comparables, we are of the view that the Acquisition Consideration is on normal commercial terms and is fair and reasonable so far as the independent Shareholders are concerned.

Effect on shareholding structure of the Company

As depicted by the table under the section headed “Effects on shareholding structure of the Company” of the Board Letter, the shareholding interests of the existing public Shareholders would be diluted by approximately 3.47 percent point. Nonetheless, in view of (i) the reasons for and the possible benefits of the Subscription to the Company; and (ii) the terms of the Subscription being fair and reasonable, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

Shareholders should note that the above table is for illustrative purpose only and demonstrates the possible effect on the shareholding structure of the Company as a result of the Subscription.

Possible financial effects of the Subscription and the Acquisition

As confirmed by the Directors, 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.

Effect on net asset value

Based on the 2015 Interim Report, the unaudited consolidated net asset value (“NAV”) of the Group was approximately RMB3,244.57 million as at 30 June 2015. As confirmed by the Directors, there will be no material change on the NAV of the Group immediately upon the Acquisition Completion and the Subscription Completion.

Effect on working capital

As confirmed by the Directors, the Acquisition Consideration shall be financed by the Group’s internal resources. On the other hand, 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. Accordingly, the Directors consider that upon the Acquisition Completion and the Subscription Completion, there will be no material change on the working capital (as calculated by current assets minus current liabilities) of the Group.

LETTER FROM GRAM CAPITAL

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon Completion. Accordingly, the aforementioned analyses do not form part of the basis of our recommendation.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Subscription and Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Subscription and the Acquisition are in the ordinary and usual course of business of the Group 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 resolution(s) to be proposed at the EGM to approve the Subscription and Acquisition Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in the investment banking industry.

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 therein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests in the Company

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) 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 and short positions which he was taken or deemed to have under such provisions of SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) 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:

Long positions in issued ordinary shares of HK\$0.05 each in the capital of the Company ("Shares")

Name of Director	Total number of Shares as at the Latest Practicable Date	Approximate percentage of the total issued capital of the Company as at the Latest Practicable Date
Chen Yuhong	264,392,861	12.84%
Tang Zhenming	11,827,765	0.57%
Wang Hui	18,281,838	0.89%
Zeng Zhijie	250,000	0.01%

Options to subscribe for Shares

Name of Director	Exercise Price (HK\$)	Number of share options outstanding as at the Latest Practicable Date	Approximate percentage of the total number of Shares in issue as at the Latest Practicable Date	Number of underlying Shares interested in	Notes
Chen Yuhong	2.15	10,000,000	0.49%	10,000,000	(3)
Tang Zhenming	0.97	800,000	0.04%	12,800,000	(1)
	1.78	2,000,000	0.10%		(2)
	2.15	10,000,000	0.49%		(3)
Wang Hui	1.78	1,200,000	0.06%	11,200,000	(2)
	2.15	10,000,000	0.49%		(3)

Notes:

- (1) These share options were offered on 30 March, 2006 under the share option scheme of the Company adopted on 2 June, 2003 and accepted on 27 April, 2006. The share options are exercisable for a period of ten years from the date of offer subject to the following conditions:

Exercisable Period Commencing	Ending	Number of share options exercisable
30/03/2006	29/03/2016	25% of the total number of share options granted
30/03/2007	29/03/2016	25% of the total number of share options granted
30/03/2008	29/03/2016	25% of the total number of share options granted
30/03/2009	29/03/2016	25% of the total number of share options granted

- (2) These share options were offered on 10 April, 2007 under the share option scheme of the Company adopted on 2 June 2003 and accepted on 8 May, 2007. These share options are exercisable for a period of 10 years from the date offer, subject to the following conditions:

Exercisable Period Commencing	Ending	Number of share options exercisable
10/04/2007	09/04/2017	25% of the total number of share options granted
10/04/2008	09/04/2017	25% of the total number of share options granted
10/04/2009	09/04/2017	25% of the total number of share options granted
10/04/2010	09/04/2017	25% of the total number of share options granted

- (3) These share options were offered on 23 January 2014 under the share option scheme of the Company adopted on 20 May 2013 and accepted on 31 January 2014. The share options are exercisable for a period of 3 years from the date of offer subject to the following conditions:

Exercisable Period Commencing	Ending	Number of share options exercisable
23/01/2014	22/01/2017	30% of the total number of share options granted
23/01/2015	22/01/2017	30% of the total number of share options granted
23/01/2016	22/01/2017	40% of the total number of share options granted

This batch of share options are subject to a vesting condition that the market capitalization of the Company shall reach HK\$10 billion or higher for 5 consecutive trading days during the exercise period.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Substantial Shareholders' Interests

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, any service contract with the Company or any of its subsidiaries which is not expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. MATERIAL ADVERSE CHANGE

As disclosed in the announcement of the Company dated 3 May 2015 and the interim report of the Company for the six months ended 30 June 2015, the Company failed to comply with certain covenants of a term loan facility dated 4 November 2013 entered into between the Company and a syndicate of banks. The syndicate has been notified of the non-compliance and, as at the Latest Practicable Date, has not requested the Group for the immediate repayment of the loan. The Group has been negotiating with the syndicate and applied for an exemption on the provisions. The formal approval letter of the exemption is currently pending. The Group has commenced the repayment of the loan. As at the Latest Practicable Date, the outstanding loan amount is US\$40 million.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. COMPETING INTERESTS OF DIRECTORS

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors or their respective close associates had any interests in businesses which compete or is likely to compete, either directly or indirectly, with the business of the Group.

7. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting 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 given its opinion and advice dated 23 November 2015, which is contained in this circular:

Name	Qualification
Gram Capital Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

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

The letter and recommendation given by Gram Capital are given as of the date of this circular for incorporation herein.

9. EXPERT'S INTEREST

Gram Capital has confirmed that, as at the Latest Practicable Date:

- (1) it is not beneficially interested in the share capital of any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (2) it did not have any interests, either direct or indirect, in any assets which have been 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 since 31 December 2014, the date to which the latest published audited consolidated financial statements of the Group were made up.

10. GENERAL

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

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except public holidays) at the office of the Company at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen's Road Central, Hong Kong for a period of 14 days from the date of this circular:

- (a) the Subscription and Acquisition Agreement;
- (b) the letter of advice from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular;
- (c) the letter of advice from Gram Capital, the text of which is set out in the section headed "Letter from Gram Capital" of this circular; and
- (d) the written consent of the expert referred to in the paragraph headed "Expert and Consent" in this Appendix.

NOTICE OF EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of CHINASOFT INTERNATIONAL LIMITED (the “**Company**”) will be held at 3:00 p.m. on Thursday, 10 December 2015 at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen’s Road Central, Hong Kong for the purposes of considering and, if thought fit, passing with or without modification the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the acquisition of the 40% equity interest in Chinasoft International Technology Service Co., Ltd.* (中軟國際科技服務有限公司), a joint venture established in the People’s Republic of China, which is owned as to 60% and 40% by Chinasoft International (China) Technology Co., Ltd.* (中軟國際(中國)科技有限公司) (“**CSI (China)**”), a wholly-owned subsidiary of the Company and Huawei Technologies Co., Limited* (華為技術有限公司) (“**Huawei**”), respectively as at the date of this notice, by the Company from Huawei, as set out in the subscription and acquisition agreement dated 26 October 2015 (the “**Subscription and Acquisition Agreement**”) entered into between the Company, Huawei and CSI (China) a copy of the Subscription and Acquisition Agreement and signed by the chairman of the EGM for identification purpose has been tabled at the meeting, and the execution thereof and implementation of all transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any directors of the Company be and is hereby authorized to enter into any agreement, deed or instrument and/or to execute and deliver all such documents and/or to do all such acts on behalf of the Company as he may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation and completion of the Acquisition and transactions contemplated thereunder.”

* For identification purposes only

NOTICE OF EGM

2. **“THAT:**

Subject to passing of the ordinary resolution no. 1 above:

- (a) the subscription of 85,109,515 new ordinary shares of HK\$0.05 each in the share capital of the Company (the **“Subscription Shares”**) at a subscription price of HK\$2.80 per Subscription Share to be subscribed by Huawei (the **“Subscription”**); as set out in the Subscription and Acquisition Agreement, a copy of the Subscription and Acquisition Agreement and signed by the chairman of the EGM for identification purpose has been tabled at the meeting, and the execution thereof and implementation of all transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) subject to the fulfillment of the conditions precedent to the Subscription as set out in the Subscription and Acquisition Agreement, the allotment and issue of the 85,109,515 Subscription Shares be and is hereby approved;
- (c) any directors of the Company be and are hereby granted a specific mandate to exercise the powers of the Company to allot and issue the Subscription Shares pursuant to the terms and conditions of the Subscription and Acquisition Agreement, the Subscription Shares shall rank *pari passu* in all respects among themselves and with all fully paid ordinary shares of the Company in issue as at the date of allotment and issue. The specific mandate is in addition to, and shall not prejudice nor revoke any general or special mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution; and
- (d) any directors of the Company be and is hereby authorized to enter into any agreement, deed or instrument and/or to execute and deliver all such documents and/or to do all such acts on behalf of the Company as he may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation and completion of the Subscription and transactions contemplated thereunder.”

By order of the Board
CHINASOFT INTERNATIONAL LIMITED
CHEN Yuhong
Chairman and Chief Executive Officer

23 November 2015

NOTICE OF EGM

Registered Office:

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

Principal Place of Business in Hong Kong:

Units 4607-8, 46th Floor,
COSCO Tower,
No. 183 Queen's Road Central,
Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and to vote instead of him. A proxy need not be a member of the Company.
2. Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting 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 in respect of the joint holding.
3. A form of proxy for use at the meeting is enclosed.
4. To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited at the Company's branch share registrar 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 or the principal place of business of the Company in Hong Kong at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen's Road Central, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or any adjournment if the members so desire.
5. The register of members of the Company will be closed from Tuesday, 8 December 2015 to Thursday, 10 December 2015, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending the meeting (or any adjournment thereof), all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office 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 not later than 4:30 p.m. on Monday, 7 December 2015.

As at the date of this notice, 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.