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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)

**PROPOSED ISSUE OF CONVERTIBLE NOTES
UNDER GENERAL MANDATE**

The Board is pleased to announce that on 3 February 2016 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the Convertible Notes in an aggregate principal amount of US\$70,000,000 (equivalent to approximately HK\$545,300,000) due in 2019. The Convertible Notes are to be issued in two tranches, the First Tranche Convertible Notes and the Second Tranche Convertible Notes.

The initial Conversion Price is HK\$3.00 per Conversion Share, which represents: (a) a premium of approximately 10.29% to the Closing Price of HK\$2.72 on the Last Trading Date; (b) a premium of approximately 11.52% to the average Closing Price of HK\$2.69 for the last five Trading Days up to and including the Last Trading Date; and (c) a premium of approximately 14.50% to the average Closing Price of HK\$2.62 for the last ten Trading Days up to and including the Last Trading Date.

Assuming full conversion of the Convertible Notes at the initial Conversion Price of HK\$3.00 per Conversion Share, the Convertible Notes will be convertible into a total of 181,987,612 Conversion Shares, representing (i) approximately 8.46% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 7.80% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Conversion Shares to be issued upon conversion of the Convertible Notes will rank pari passu in all respects with the Shares in issue on the Exercise Date. The Conversion Shares will be issued under the General Mandate.

No listing of the Convertible Notes will be sought on the Stock Exchange or any other exchange. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

The aggregate gross proceeds from the Subscription would be US\$70,000,000 (equivalent to approximately HK\$545,300,000). The net proceeds from the issue of the Convertible Notes, after deducting all related fees and expenses, are estimated to be approximately HK\$542,963,000. The Board intends to use the proceeds for general working capital purpose.

Completion of the Subscription is subject to the satisfaction and/or waiver of the Conditions Precedent. In addition, the Second Completion will not take place if either the Company or the Subscriber serves a written notice to the other party at anytime subsequent to the First Completion stating its intention not to proceed with the Second Completion. The Subscription Agreement may also be terminated in certain circumstances. As the Subscription may or may not be completed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

The Board is pleased to announce that on 3 February 2016 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the Convertible Notes in an aggregate principal amount of US\$70,000,000 (equivalent to approximately HK\$545,300,000) due in 2019. The Convertible Notes are to be issued in two tranches, the First Tranche Convertible Notes and the Second Tranche Convertible Notes. Details of the principal terms of the Subscription Agreement and the Convertible Notes are summarized below.

THE SUBSCRIPTION AGREEMENT

Date

3 February 2016

Parties

- (a) the Company as issuer
- (b) the Subscriber as subscriber

Subscription

Subject to the fulfillment and/or waiver of the Conditions Precedent, the Subscriber has agreed to subscribe for the Convertible Notes in an aggregate principal amount of US\$70,000,000 (equivalent to approximately HK\$545,300,000).

Conditions Precedent

The obligations of the Subscriber to subscribe for the First Tranche Convertible Notes and the Second Tranche Convertible Notes, as applicable, are subject to the fulfillment, to the satisfaction of the Subscriber, or waiver by the Subscriber, of the following conditions (other than items (b) and (g) which shall not be waived):

- (a) all corporate and other proceedings on the part of the Company authorising the execution, delivery and performance of the Subscription Agreement and the transactions contemplated thereunder, shall have been completed, and any and all approvals, consents and waivers necessary for consummation of the transactions contemplated thereunder shall have been obtained;
- (b) the Stock Exchange shall have approved the issue of the Convertible Notes and shall have granted the listing of, and permission to deal in, the Conversion Shares;
- (c) the Subscription Agreement shall have been duly executed by the Company and delivered to the Subscriber;
- (d) the warranties by the Company in the Subscription Agreement are true, correct and accurate in all material respects on the date of the Subscription Agreement and the respective Completion Dates as though such warranties were made at such date (except that any warranties that are made as of a specified date shall be true and correct in all material respects as of such specified date);
- (e) the Company shall have performed all of its obligations under the Subscription Agreement expressed to be performed on or before the respective Completion Dates;
- (f) there shall not have been any change, or development or event that are materially adverse to the condition (financial or otherwise), results of operations, business or assets of the Company and its Subsidiaries taken as a whole, and which makes it impracticable to subscribe for the Convertible Notes on the terms and in the manner contemplated therein; and
- (g) no statute, rule, regulation or order shall have been enacted, adopted or issued by any governmental or regulatory authority that would, as of the respective Completion Dates, as the case may be, prevent the issuance or sale of the Convertible Notes.

The obligations of the Company to issue the First Tranche Convertible Notes and the Second Tranche Convertible Notes, as applicable, are subject to the fulfillment, to the satisfaction of the Company, or waiver by the Company, of the following conditions (other than items (b), (f) and (g) which shall not be waived):

- (a) all corporate and other proceedings on the part of the Subscriber authorising the execution, delivery and performance of the Subscription Agreement and the transactions contemplated thereunder, shall have been completed, and any and all approvals, consents and waivers necessary for consummation of the transactions contemplated thereunder shall have been obtained;

- (b) the shareholders' approval of Huarong International Financial with respect to the Subscription Agreement and the transactions contemplated hereunder shall have been obtained;
- (c) the Subscription Agreement shall have been duly executed by the Subscriber and delivered to the Company;
- (d) the representations and warranties by the Subscriber in the Subscription Agreement are true, correct and accurate in all material respects on the date of the Subscription Agreement and the respective Completion Dates as though such representations and warranties were made at such date (except that any representations and warranties that are made as of a specified date shall be true and correct in all material respects as of such specified date);
- (e) the Subscriber shall have performed all of its obligations contained in the Subscription Agreement expressed to be performed on or before the respective Completion Dates;
- (f) no statute, rule, regulation or order shall have been enacted, adopted or issued by any governmental or regulatory authority that would, as of the respective Completion Dates, as the case may be, prevent the issuance or sale of the Convertible Notes, or the issuance of the Conversion Shares; and
- (g) the Stock Exchange shall have approved the issue of the Convertible Notes and shall have granted the listing of, and permission to deal in, the Conversion Shares.

Completion

Subject to the fulfillment (or, where appropriate, waiver by the Subscriber or the Company pursuant to the Subscription Agreement) of all the Conditions Precedent as set out above, the First Completion shall take place on the second Business Day following the day on which the Conditions Precedent other than those Conditions Precedent which are expressed to be satisfied (or, where appropriate, waived by the Subscriber or the Company) on or as at the First Completion Date shall have been satisfied or waived in accordance with the Subscription Agreement, or at such other time or date as the Company and the Subscriber may agree in writing.

Subject to the fulfillment (or, where appropriate, waiver by the Subscriber or the Company pursuant to the Subscription Agreement) of all the Conditions Precedent as set out above, and occurrence of the First Completion, the Second Completion shall take place on such other time or date as the parties may agree in writing. The Subscriber undertakes to the Company to procure the occurrence of the Second Completion by 3 March 2016 provided that the Second Completion shall not take place if either the Subscriber or the Company serves a written notice to the other party at any time subsequent to the First Completion stating its intention not to proceed with the Second Completion and both the Subscriber and the Company will be relieved of all obligations and liabilities in relation to the issue and subscription of the Second Tranche Convertible Notes upon the serving of the said written notice by either the Company or the Subscriber.

Undertaking of the Company

Under the Subscription Agreement, the Company has irrevocably undertaken with the Subscriber that at any time subsequent to the execution of the Subscription Agreement and prior to the Second Completion, save for any matters that are contained in the Company's announcements, circulars and reports published on the website of the Stock Exchange prior to the date of the Subscription Agreement provided that such disclosure was made in manners in compliance with the Listing Rules and the applicable laws in all material respects, without the prior written consent of the Subscriber or save as contemplated in or required by the Subscription Agreement:

- (a) the business of the Group will be carried on in the ordinary and normal course, other than making any agreement or entering into any arrangement in connection with the repayment of a US\$100,000,000 term loan facility pursuant to certain syndicated loan agreement with a syndicate of banks including Deutsche Bank AG and Mega International Commercial Bank Co., Ltd. (the "**Syndicated Loan**");
- (b) no alteration will be made to the authorized and issued share capital of the Company and no options or rights for Shares or convertible securities shall be granted by the Company in respect of the same, other than any existing options, rights for Shares, or convertible securities and any Shares issued upon exercise or conversion of any options, rights for Shares, or convertible securities existing as of the date of the Subscription Agreement;
- (c) no proposal for the winding up or liquidation of the Company will be made; and
- (d) no guarantee, indemnity, surety, mortgage, lien (other than a lien arising by operation of law), charge, encumbrance or other security interest of any nature whatsoever in respect of all or any part of the undertaking, property or assets of the Group created or given to secure the liabilities or obligations of any person other than any member of the Group, other than any agreement or arrangement made in connection with the repayment of the Syndicated Loan.

Termination

The Subscription Agreement may be terminated under any of the following circumstances:

- (a) at any time by mutual written consent of the Company and the Subscriber on or prior to the Long Stop Date; or
- (b) by the Company, if the First Completion or the Second Completion does not occur by the Long Stop Date, provided that such right to terminate the Subscription Agreement shall not be available to the Company if its failure to fulfil any of its obligations under the Subscription Agreement has been the primary cause of the failure to consummate the transactions contemplated thereunder by such date; or

(c) by the non-breaching party if a material breach or failure of any representation, warranty or covenant of any party set forth in the Subscription Agreement shall have occurred, which breach if capable of being cured, shall not have been cured within thirty (30) days following delivery of written notice by the non-breaching party to the breaching party with respect to such breach.

Termination of the Subscriptions Agreement shall not relieve any party from liability for any material breach prior to such termination.

PRINCIPAL TERMS OF THE CONVERTIBLE NOTES

The principal terms of the Convertible Notes are summarized as follows:

- Issuer: The Company
- Principal Amount: US\$70,000,000 (equivalent to approximately HK\$545,300,000)
- Maturity Date: The date falling on the third anniversary of the Issue Date
- Interest: Interest is payable on the Convertible Notes at the rate of 4.5% per annum on the principal amount of the Convertible Notes outstanding, accruing from the Issue Date on a daily basis and shall be calculated on the basis of the actual number of days elapsed in a year of 360 days, including the first day of the period which it accrues and including the last. The interest will be payable semi-annually in arrears on each Interest Payment Date falling after the Issue Date. The interest so payable on any Interest Payment Date will be paid in U.S. dollars in an amount equivalent to the RMB Equivalent Amount of such interest. If any Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day.

If the Company fails to pay any sum in respect of the Convertible Notes when the same becomes due and payable, interest shall accrue on the overdue sum at the rate of 8.5% per annum from the due date calculated on a semi-annual basis. Such default interest shall accrue on the basis of the actual number of days elapsed and a 360-day year and compound daily.

- Status:** The Convertible Notes constitute general, unsubordinated, unconditional and unsecured obligations of the Company and shall rank *pari passu* among themselves. The payment obligations of the Company under the Convertible Notes shall, save for such exceptions as may be provided by mandatory provisions of applicable laws, rank at least equally with all of the Company's other present and future unconditional, unsecured and unsubordinated obligations.
- Form and Denomination:** The Convertible Notes are issued in registered form in the denomination of US\$1,000,000 each. A Certificate will be issued to each Noteholder in respect of its registered holding of the Convertible Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the Register of Noteholders kept by the Company.
- Conversion Right:** The Noteholders shall have the right to convert the Convertible Notes in whole or in part, on any Business Day on or prior to the close of business on the Maturity Date into Shares, provided that conversion of the Convertible Notes shall only be permitted in denominations of US\$1,000,000 or integral multiples thereof. The number of Shares to be issued on conversion of the Convertible Notes will be determined by dividing the RMB Equivalent Amount of the principal amount of the Convertible Notes to be converted by the RMB Equivalent Amount of the Conversion Price in effect as of the date of conversion.
- Conversion Price:** The initial Conversion Price is HK\$3.00 per Conversion Share, which is subject to adjustment in accordance with the terms of the Note Instrument.
- Adjustments to the Conversion Price:** The Conversion Price will be subject to adjustment upon the occurrence of any of the events described below in accordance with the terms of the Note Instrument:
- (a) if and whenever the Shares become of a different nominal amount by reason of any consolidation or sub-division. Such adjustment shall become effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or subdivision becomes effective;

- (b) if and whenever the Company shall issue any Shares credited as fully paid by way of capitalization of profits or reserves, including any share premium account or capital redemption reserve fund, except where Shares are issued in lieu of cash dividend. Such adjustment shall become effective from the commencement of the day next following the record date for such issue; and
- (c) if and whenever the Company shall make any Capital Distribution to holders of Shares or shall grant to such holders rights to acquire for cash assets of the Company or any of its Subsidiaries, except where, and to the extent that the Conversion Price falls to be adjusted under paragraph (b) above. Such adjustment shall become effective from the commencement of the day next following the record date for the Capital Distribution or grant.

If the Company or any Subsidiary of the Company shall in any way modify the rights attached to any share or loan capital so as wholly or partly to convert or make convertible such share or loan capital into, or attach thereto any rights to acquire the Shares, other than the Existing Convertible Notes, the Company shall, upon the written request of the Noteholders of over 50% in aggregate principal amount of the outstanding Convertible Notes, appoint an approved IFA to consider whether any adjustment to the Conversion Price is appropriate.

Ranking of Conversion Shares: The Conversion Shares issued upon conversion of the Convertible Notes will in all respects rank pari passu with the existing Shares outstanding on the Exercise Date.

Redemption at Maturity: Unless previously converted, repaid or cancelled as provided in the Note Instrument, the Company will, on the Maturity Date, redeem each Convertible Note at the their respective principal amount outstanding together with accrued and unpaid interest thereon up to and including Maturity Date in U.S. dollars in an amount equivalent to the RMB Equivalent Amount of such principal amount and interests.

Transferability: The Convertible Notes may not be transferred without the prior written consent of the Company.

Voting: No Noteholder will be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of being the holder of a Convertible Note.

Restriction on Transfer of Conversion Shares: In the event that any Conversion Shares are issued to a Noteholder in accordance with the terms of the Note Instrument, and such Noteholder wishes to sell or transfer any Conversion Shares to any person, such Noteholder shall notify the Company of the details on the proposed price for such sale or transfer, material terms and conditions and the number of Conversion Shares to be sold or transferred. The proposed price shall be the lower of (a) the Closing Price of the Shares on the Stock Exchange on the date of the notice and (b) the average Closing Price of the Shares on the Stock Exchange for the five (5) consecutive trading days immediately preceding the date of the notice. The Company shall have the right, exercisable upon written notice to the Noteholder within 10 trading days following the date of the notice to require the Noteholder to sell the Conversion Shares to investor(s) selected by the Company through block sale(s), at the same price and subject to the same material terms and conditions as described in the notice. In the event that the price proposed by the investor(s) selected by the Company is less than the price proposed in the notice, the Noteholder may at its discretion decide whether to sell and transfer the Conversion Shares to such investor(s) selected by the Company at the price proposed by such investor(s) and shall notify the Company of its decision within five (5) days of the expiry of the foregoing 10 trading days' notice period. No connected person of the Company shall be eligible for selection and, in selecting the investor(s), the Company shall take into account compliance with the Listing Rules and applicable laws, potential synergies, relevant industry expertise and other benefits the investor(s) could bring to the Company. To the extent that the Company does not exercise such right within the foregoing 10 trading days' notice period or, if the price proposed by the investor(s) selected by the Company is less than the price proposed in the foregoing notice and the Noteholder notifies the Company that it does not intend to sell the Conversion Shares to such investor(s) within five (5) days of the expiry of the foregoing 10 trading days' notice period, the Noteholder may, not later than ninety (90) days following expiry of such notice period, conclude a sale or transfer of any Conversion Shares covered by the notice on substantially the same terms and conditions as

those described in the notice, except that the price for such Conversion Shares being sold or transferred shall be no less than 90% and no more than 110% of the Closing Price of the Shares on the Stock Exchange on the last trading day of the 10 trading-day notice period. Subject to the foregoing sentence, any sale or transfer on terms and conditions which are materially different from those described in the notice, as well as any subsequent proposed sale or transfer of any Conversion Shares by the Noteholders after the ninety (90) day period, shall require compliance by the Noteholder with the procedures described hereunder.

Protection of
Noteholders:

So long as the Convertible Notes are outstanding, other than pursuant to the terms of the Existing Convertible Notes, and subject to any approvals otherwise given in writing by the Noteholders of over 50% in aggregate principal amount of the outstanding Convertible Notes, the Company undertakes, among other things, to the Noteholders that:

- (a) the Company shall not modify the rights attached to the Shares as a class or attach any special restrictions thereto;
- (b) the Company shall not issue or pay up any securities by way of capitalization of profits or reserves other than (i) by the issue of fully-paid Shares to holders of its Shares; or (ii) as otherwise permitted in the Note Instrument;
- (c) the Company shall procure that at no time shall there be in issue Shares of differing nominal values;
- (d) the Company shall use its best endeavours (i) to maintain a listing for all the issued Shares on the Main Board of the Stock Exchange; (ii) to obtain and maintain a listing on the Stock Exchange for all the Conversion Shares to be issued upon exercise of the Conversion Rights;
- (e) the Company shall from time to time keep available for issue, free from preemptive rights, out of its authorised but un-issued capital sufficient Shares to satisfy in full the Conversion Rights and the terms of any other securities for the time being in issue which are convertible into or have the right to subscribe for the Shares;

- (f) the Company shall not make any reduction or redemption of share capital, share premium account or capital redemption reserve involving the repayment of money to shareholders (other than to shareholders having the right on a winding-up to a return of capital in priority to the holders of Shares) or reduce any uncalled liability in respect thereof unless, in any such case, the same gives rise to an adjustment of the Conversion Price in accordance with the Note Instrument; and
- (g) the Company shall not offer to all or substantially all holders of Shares any new Shares for subscription by way of rights, or grant to all or substantially all holders of Shares any options or warrants or other rights to subscribe for new Shares (other than options granted or Shares issued to employees or directors of the Company or any of its Subsidiaries or their respective personal representatives pursuant to any employee or executive share scheme), at a price which is less than 80 per cent of the market price of the Shares at the date of the announcement of the terms of the offer or grant.

Events of Default:

If any of the following events occurs, a Noteholder may give notice to the Company, provided that approval of over 50% in aggregate principal amount of the outstanding Convertible Notes has been obtained:

- (a) to require that the Convertible Notes held by such Noteholder, on the giving of such notice, be immediately due and payable at their principal amount then outstanding together with accrued but unpaid interest from the date of issue of the Convertible Notes up to and including the date of payment, if:
 - (i) the Company fails to pay the principal amount and/or interest under the Convertible Notes when due and such failure continues for ten (10) days;
 - (ii) the Company fails to deliver the Shares as and when the Shares are required to be delivered following conversion of the Convertible Notes and such failure continues for five (5) days;

- (iii) an encumbrancer takes possession of or an administrative or a receiver, manager or other similar officer is appointed in respect of the whole or any substantial part of the undertaking, property, assets or revenues of the Company and its Subsidiaries taken as a whole;
- (iv) a compulsory winding up order is made or an effective resolution passed for the winding up or dissolution or administration of the Company or any of the Company's Subsidiaries or the Company or any of the Company's Subsidiaries ceases or threatens (through an official act of the board of directors or any other similar governing body) to cease to carry on all or part of its business or operations, which shall cause the Company and its Subsidiaries as a whole not being able to perform their material obligations under the Convertible Notes, save and except pursuant to any corporate re-organization or restructuring of the Company and its Subsidiaries;
- (v) any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or a substantial part of the material assets of the Company or any of the Company's Subsidiaries, which shall cause the Company and its Subsidiaries as a whole not being able to perform their material obligations under the Convertible Notes; or
- (vi) the Company and its Subsidiaries taken as a whole are insolvent or bankrupt and propose or make a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of their debts or a moratorium is agreed or declared in respect of or affecting their debts; or

- (b) to require that, the Convertible Notes held by such Noteholder be due and payable by delivery of a notice of repayment, and such Convertible Notes shall be due and payable by the Company within sixty (60) days of delivery of such notice, at their principal amount then outstanding, together with accrued but unpaid interest from the date of issue of the Convertible Notes up to and including the date of payment unless the Company has requested the consent of such Noteholder to waive the repayment of the Convertible Notes, if any interest or principal under any present or future loan facilities or any note purchase facility, bonds, notes or debentures of the Company or its Subsidiaries becomes due and payable but such interest or principal is not paid when due and not remedied within any applicable grace period; or
- (c) to require that, the Subscription Agreement be terminated and that the Convertible Notes held by such Noteholder be due and payable by delivery of a notice of repayment, and such Convertible Notes shall be due and payable by the Company within sixty (60) days of delivery of such notice, at their principal amount then outstanding, together with accrued but unpaid interest from the date of issue of the Convertible Notes up to and including the date of payment, if:
 - (i) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, license, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the Convertible Notes, (ii) to ensure that those obligations are legally binding and enforceable, and (iii) to make the Convertible Notes admissible in evidence in the courts of, Cayman Islands, Hong Kong or PRC is not taken, fulfilled or done; or
 - (ii) it is or will become unlawful for the Company to perform or comply with any one or more of its obligations under the Convertible Notes; or

- (iii) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

CONVERSION PRICE AND CONVERSION SHARES

The initial Conversion Price is HK\$3.00 per Conversion Share, which represents:

- (a) a premium of approximately 10.29% to the Closing Price of HK\$2.72 on the Last Trading Date;
- (b) a premium of approximately 11.52% to the average Closing Price of HK\$2.69 for the last five Trading Days up to and including the Last Trading Date; and
- (c) a premium of approximately 14.50% to the average Closing Price of HK\$2.62 for the last ten Trading Days up to and including the Last Trading Date.

The Conversion Price was determined after arm's length negotiation between the Company and the Subscriber with reference to the recent trading prices of the Shares on the Stock Exchange. The Directors are of the view that the Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Based on the initial Conversion Price of HK\$3.00 per Conversion Share, a maximum number of 181,987,612 Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Notes in full, representing (i) approximately 8.46% of the issued share capital of the Company as at the date of this announcement, and (ii) approximately 7.80% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Conversion Shares will rank *pari passu* in all respects with the Shares then in issue on the Exercise Date.

ISSUE OF THE CONVERSION SHARES UNDER THE GENERAL MANDATE

The Conversion Shares will be allotted and issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 18 May 2015. Under the General Mandate, the Directors are authorized to allot and issue up to a maximum of 407,597,551 Shares, representing 20% of the total number of Shares in issue as at the date of the annual general meeting. As at the date of this announcement, the General Mandate has not been utilized since it was granted. As such, the General Mandate will be sufficient for, and no further Shareholders' approval is required for, the allotment and issue of the Conversion Shares.

The Company will monitor its corporate actions which could trigger adjustments to the Conversion Price as described above to ensure the General Mandate is sufficient to cover the allotment and the issue of all Conversion Shares.

INFORMATION ON THE GROUP

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

INFORMATION ON THE SUBSCRIBER

The Subscriber is a limited partnership established in the Cayman Islands by Huarong International Asset Management, Energetic Unity and Jiukun. The general partner of the Subscriber is Huarong International Asset Management and the limited partners of the Subscriber are Energetic Unity and Jiukun. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Subscriber and its ultimate beneficial owners is an Independent Third Party.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, save for the Existing Convertible Notes and the outstanding options granted under the share option scheme adopted by the Company on 20 May 2013, the Company has no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares. The following table set out the effect of the Subscription on shareholding structure of the Company, assuming that no Shares will be issued or repurchased during the period between the date of this announcement and up to and including the date on which the Convertible Notes are fully converted:

Shareholders	As at the date of this announcement		Immediately after the issue of the Conversion Shares upon full conversion of the Convertible Notes at the initial Conversion Price of HK\$3.00 (Note 2)		Immediately after (i) the issue of the Conversion Shares upon full conversion of the Convertible Notes at the initial Conversion Price of HK\$3.00 and (ii) upon full conversion of the Existing Convertible Notes at the prevailing conversion price of HK\$2.00 (Note 2)	
	Shares	%	Shares	%	Shares	%
Directors						
Dr. Chen Yuhong (Note 1)	254,392,861	11.82	254,392,861	10.90	254,392,861	10.68
Mr. Wang Hui	8,281,838	0.39	8,281,838	0.35	8,281,838	0.35
Dr. Tang Zhenming	1,827,765	0.08	1,827,765	0.08	1,827,765	0.08
Mr. Zeng Zhijie	250,000	0.01	250,000	0.01	250,000	0.01
Public Shareholders						
Noteholders	0	0.00	181,987,612	7.80	181,987,612	7.64
Other public Shareholders	1,887,165,055	87.70	1,887,165,055	80.86	1,935,367,529	81.24
Total	2,151,917,519	100.00	2,333,905,131	100.00	2,382,107,605	100.00

Note 1: 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.

Note 2: The above table does not take into account Shares to be issued pursuant to exercise of share options granted or to be granted under the share option scheme adopted by the Company on 20 May 2013.

USE OF PROCEEDS

The aggregate gross proceeds from the Subscription would be US\$70,000,000 (equivalent to approximately HK\$545,300,000). The net proceeds from the issue of the Convertible Notes, after deducting all related fees and expenses, are estimated to be approximately HK\$542,963,000. Based on the net proceeds of approximately HK\$542,963,000, the net price per Conversion Share is approximately HK\$2.98.

The Board intends to use the proceeds for general working capital purpose.

REASONS FOR THE ISSUE OF THE CONVERTIBLE NOTES

The Directors are of the view that the issue of Convertible Notes represents an opportunity to raise capital for the Company and to obtain immediate funding. The Directors consider that, taking into account the recent market conditions, raising funds by way of issuing the Convertible Notes would enable the Company to build up the network with Huarong International Financial and its affiliates. In addition, the Directors are of the view that Huarong International Financial is a reputable institutional investor and the investment by the Subscriber in convertible instrument of the Company represents a recognition in the investment value of the Company and would also enlarge and diversify the shareholder base of the Company.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Subscription Agreement and the transactions contemplated thereunder (including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Notes), which are determined after arm's length negotiations between the Company and the Subscriber, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FUND-RAISING ACTIVITIES BY THE COMPANY IN THE LAST 12 MONTHS

The Company has conducted the following fund raising activities during the past 12 months immediately preceding the date of this announcement:

Date of announcement	Fund raising exercise	Net proceeds to be received/ received	Intended use of proceeds as disclosed in the relevant announcement	Actual use of proceeds	Intended use of any amount not yet utilized
26 October 2015	Subscription of 85,109,515 new Shares by Huawei	HK\$236.89 million	The net proceeds will be used for replenishing the cash flow of the Group	Not applicable (subscription completed on 3 February 2016)	Not applicable
4 May 2015	Placing of new shares under general mandate	HK\$179.0 million	<ul style="list-style-type: none">• HK\$80 million will be used to acquire oversea companies with large data volume processing capabilities in the finance industry;	<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	<ul style="list-style-type: none">• 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.

Date of announcement	Fund raising exercise	Net proceeds to be received/ received	Intended use of proceeds as disclosed in the relevant announcement	Actual use of proceeds	Intended use of any amount not yet utilized
4 May 2015	Subscription of 50 million new Shares	HK\$181.5 million	<ul style="list-style-type: none"> • HK\$50 million will be used to expand enterprise cloud services channels and develop a enterprise cloud platform; and • the remaining proceeds will be used to supplement working capital • approximately HK\$100 million will be used for the collaboration with Bank of Communications Co., Ltd. to develop businesses related to supply chain financing; 	<ul style="list-style-type: none"> • HK\$49 million had been used to supplement working capital. • approximately HK\$34 million had been used for the development of internet financing and related businesses; 	<ul style="list-style-type: none"> • approximately HK\$100 million will be used for the collaboration with Bank of Communications Co., Ltd. to develop businesses related to supply chain financing and the amount is currently maintained at banks.
			<ul style="list-style-type: none"> • approximately HK\$34 million will be used for the development of internet financing and related businesses; • approximately HK\$25 million will be used for the operation and promotion of the Company's strategic product – JointForce platform; and 	<ul style="list-style-type: none"> • approximately HK\$25 million had been used for the operation and promotion of Company's strategic product – JointForce platform; and • HK\$22.5 million had been utilized for general working capital. 	

Date of announcement	Fund raising exercise	Net proceeds to be received/ received	Intended use of proceeds as disclosed in the relevant announcement	Actual use of proceeds	Intended use of any amount not yet utilized
			<ul style="list-style-type: none"> the remaining portion of the proceeds will be utilized for general working capital purposes. 		

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

GENERAL INFORMATION

No application will be made by the Company to the Stock Exchange for listing of the Convertible Notes. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

Completion of the Subscription is subject to the satisfaction and/or waiver of the Conditions Precedent. In addition, the Second Completion will not take place if either the Company or the Subscriber serves a written notice to the other party at anytime subsequent to the First Completion stating its intention not to proceed with the Second Completion. The Subscription Agreement may also be terminated in certain circumstances. As the Subscription may or may not be completed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“approved IFA”	an independent financial advisor of repute in Hong Kong selected by the Company and approved by the Noteholders of over 50% in aggregate principal amount of the outstanding Convertible Notes, for the purpose of providing a specific opinion or calculation or determination under the Subscription Agreement
“Board”	the board of Directors
“Business Day”	a day (except a Saturday, a Sunday or a public holiday) on which banks in Hong Kong are open for business throughout their normal business hours

“Capital Distribution”	without prejudice to the generality of that phrase, includes distributions in cash or specie. Any dividend charged or provided for in the accounts for any financial period shall (whenever paid and however described) be deemed to be a Capital Distribution
“Certificate(s)”	a certificate issued in the name of the holder of one or more Convertible Notes substantially in the form set out in the Subscription Agreement
“Closing Price”	the closing price per Share quoted on the daily quotation list of the Stock Exchange for such day
“Company”	ChinaSoft International Limited (Stock Code: 354), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	collectively, the First Completion and Second Completion
“Completion Date”	the First Completion Date, or the Second Completion Date, as applicable
“Conditions Precedent”	the conditions precedent to Completion under the Subscription Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Control”	with respect to a given person means the power or authority, whether exercised or not, to direct the business, management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, which power or authority shall conclusively be presumed to exist upon possession of beneficial ownership or power to direct the vote of more than fifty per cent (50%) of the votes (on an as-converted basis) entitled to be cast at a meeting of the members or shareholders of such person or power to control the composition of a majority of the board of directors of such person; the term “Controlled” has the meaning correlative to the foregoing
“Conversion Notice”	a conversion notice to be issued in accordance with the terms and conditions of the Note Instrument substantially in the form set out thereunder

“Conversion Price”	the price per Conversion Share, such price initially being HK\$3.00 per Conversion Share, subject to adjustments in accordance with the terms of the Note Instrument
“Conversion Rights”	the rights attached to the Convertible Notes to convert in whole or in part, the principal amount into Shares of the Company
“Conversion Shares”	the Shares to be issued upon conversion of the Convertible Notes
“Convertible Notes”	collectively, the First Tranche Convertible Notes and the Second Tranche Convertible Notes
“Directors”	the directors of the Company
“Energetic Unity”	Energetic Unity Limited, a company incorporated in the British Virgin Islands with limited liability and is one of the limited partners of the Subscriber. Energetic Unity is an indirect wholly-owned subsidiary of Huarong International Financial
“Exercise Date”	a date on which a notice is given pursuant to Note Instrument in respect of the exercise of the Conversion Rights in accordance therewith
“Existing Convertible Notes”	the existing convertible notes with an outstanding principal amount of RMB90 million due in 2016 issued by the Company, which is convertible into Shares at the prevailing conversion price of HK\$2.00 per Share, further details of which are set out in the announcements and the circular of the Company dated 23 October 2013, 30 November 2010 and 1 November 2010 respectively
“First Completion”	the completion of the issue and subscription of the First Tranche Convertible Notes
“First Completion Date”	the date of First Completion

“First Tranche Convertible Notes”	the Convertible Notes in an aggregate principal amount of US\$30,000,000 (equivalent to approximately HK\$233,700,000) due in 2019 to be issued by the Company to the Subscriber under the Subscription Agreement
“General Mandate”	the general mandate granted to the Board by the Shareholders at the annual general meeting of the Company held on 18 May 2015 to allot and issue Shares up to an aggregate number of Shares not exceeding 20% of the then total number of Shares in issue
“Group”	the Company and its Subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huarong International Asset Management”	Huarong International Asset Management Great China Investment Fund Limited, the general partner of the Subscriber, a Cayman Islands exempted limited liability company and an indirect wholly-owned subsidiary of Huarong International Financial
“Huarong International Financial”	Huarong International Financial Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 993)
“Huawei”	華為技術有限公司 (Huawei Technologies Co., Limited*), a limited liability company established in the PRC
“Independent Third Party”	person or company which is independent of and not connected with (within the meaning of the Listing Rules) any of the directors, chief executive and substantial shareholders (within the meaning of the Listing Rules) of the Company, any of its subsidiaries or any of their respective associates
“Interest Payment Date”	the date ending on the last day of each six (6)-month period after the Issue Date

“Issue Date”	the date when the Convertible Notes are issued by the Company to the Subscriber
“Jiukun”	Jiukun (HK) Investment Limited, a company incorporated in Hong Kong with limited liability and is one of the limited partners of the Subscriber
“Last Trading Date”	3 February 2016, being the last Trading Day for the Shares immediately prior to the publication of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	4 March 2016
“Maturity Date”	the date falling on the third anniversary of the Issue Date, or if that date is not a Business Day, the Business Day immediately following that date
“Noteholder(s)”	holder(s) of the Convertible Note(s) from time to time
“Note Instrument”	the instrument constituting the Convertible Notes
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Register of Noteholders”	a register to be kept by the Company at its registered office in the Cayman Islands on which shall be entered the names and addresses of the holders of the Convertible Notes and the particulars of the Convertible Notes held by them and of all transfers of the Convertible Notes
“RMB Equivalent Amount”	with respect to any amount, being the Renminbi equivalent of such amount, calculated at the median exchange rate for the applicable currency as published by the People’s Bank of China on 3 February 2016
“Second Completion”	the completion of the issue and subscription of the Second Tranche Convertible Notes
“Second Completion Date”	the date of Second Completion

“Second Tranche Convertible Notes”	the Convertible Notes in an aggregate principal amount of US\$40,000,000 (equivalent to approximately HK\$311,600,000) due in 2019 to be issued by the Company to the Subscriber under the Subscription Agreement
“Share(s)”	the ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholders”	the holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Huarong International Asset Management Growth Fund L.P., an exempted limited partnership established in the Cayman Islands
“Subscription”	the subscription of Convertible Notes by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 3 February 2016 entered into by and between the Company as issuer and the Subscriber as subscriber in relation to the issue of the Convertible Notes
“Subsidiaries”	with respect to any specified person, any other person that is Controlled directly or indirectly by such given person
“Trading Day(s)”	a day on which the Shares are traded on the Stock Exchange for a minimum of 4 hours and an official closing price per Share is provided by the Stock Exchange
“US\$”	US dollar(s), the lawful currency of the United States of America
“%”	per cent.

Notes:

In this announcement, figures in US\$ are translated to HK\$ at the exchange rate of US\$1.00 = HK\$7.79 for illustration purposes only.

* *For identification purposes only*

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

3 February 2016, Hong Kong

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