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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)

CONTINUING CONNECTED TRANSACTIONS

HUAWEI IT OUTSOURCING AGREEMENT

On 29 June 2015, Chinasoft International and Huawei entered into the Huawei IT Outsourcing Agreement which set out the principles governing the provision of IT Outsourcing services by Chinasoft International to the Huawei Group for the period from the Effective Date up to and including 29 June 2017.

LISTING RULES IMPLICATIONS

Huawei is a substantial shareholder of Chinasoft International, holding approximately 40% of its equity interest, with its remaining 60% equity interest owned by CSI (China), being a wholly-owned subsidiary of the Company. Members of the Huawei Group are therefore connected persons of the Company at the subsidiary level under the Listing Rules and thus these recurring transactions between Chinasoft International and the Huawei Group contemplated under the Huawei IT Outsourcing Agreement shall constitute continuing connected transactions under the Listing Rules. And these continuing connected transactions under the Huawei IT Outsourcing Agreement shall be subject to the reporting and announcement requirements, but are exempted from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules as (i) the Board (including all the independent non-executive Directors) has approved the Board resolution regarding the entering into of the Huawei IT Outsourcing Agreement, and (ii) the independent non-executive Directors have confirmed that terms of the transactions contemplated under the Huawei IT Outsourcing Agreement are fair and reasonable, the transactions are on normal commercial terms or better and in the interest of the Company and the Shareholders as a whole.

INTRODUCTION

On 29 June 2015, Chinasoft International and Huawei entered into the Huawei IT Outsourcing Agreement which set out the principles governing the provision of IT Outsourcing services by Chinasoft International to the Huawei Group for the period from the Effective Date up to and including 29 June 2017.

HUAWEI IT OUTSOURCING AGREEMENT

Set out below are the principal terms of the Huawei IT Outsourcing Agreement:

Date	:	29 June 2015
Parties	:	(1) Chinasoft International; and (2) Huawei
Scope of services	:	Chinasoft International shall provide IT Outsourcing service to Huawei Group
Term	:	The Huawei IT Outsourcing Agreement shall become effective from the Effective Date up to and including 29 June 2017
Service fee	:	the service fee payable by Huawei Group to Chinasoft International in respect of the provision of the IT Outsourcing service is determined with reference to (i) the Group's reasonable profit margins in respect of the provision of IT outsourcing services, (ii) the average number of technical staff of the Group required for the completion of a project, (iii) the technical requirement of each project, (iv) time of delivery, and (v) the average annual revenue of the Group contributed by each technical staff of the Group in respect of their provision of IT Outsourcing service to Huawei Group.

Conditions precedent

The Huawei IT Outsourcing Agreement shall become effective upon fulfillment of the following conditions precedent:

- 1) the Parties having performed their respective internal approval procedures in respect of the Huawei IT Outsourcing Agreement;
- 2) the respective legal representative or authorized person of the Parties having duly executed the Huawei IT Outsourcing Agreement;
- 3) the Board having approved the Huawei IT Outsourcing Agreement; and
- 4) the obtaining of the approval from the relevant approval authorities in respect of the Huawei IT Outsourcing Agreement, where necessary.

ANNUAL CAPS AND ITS BASIS OF DETERMINATION

Set out below is the Annual Caps for the provision of IT Outsourcing service by Chinasoft International to Huawei Group during the term of the Huawei IT Outsourcing Agreement:

(RMB in million)

	For the period from the Effective Date up to and including 31 December 2015	For the year ending 31 December 2016	For the period from 1 January 2017 up to and including 29 June 2017
Annual Caps	2,000	2,400	2,000

The Annual Caps were determined after arm's length negotiations between the Group and Huawei Group (including its procurement department) with reference to, among others, the historical transactions between the Group and Huawei Group in respect of IT Outsourcing business, the estimated average number of technical staff of the Group deployed for the provision of IT Outsourcing service to the Huawei Group per annum, and the expected growth in average annual revenue contributed by each technical staff of the Group in respect of their provision of IT Outsourcing service to Huawei Group attributable to the expected growth in the chargeable rate to such provision of IT Outsourcing service.

The estimated average number of technical staff by the Group deployed for the provision of IT Outsourcing service to the Huawei Group per annum was arrived at based on the Group's understanding of the overall software outsourcing business plan of Huawei, taking into consideration the expected future increase in IT Outsourcing projects of Huawei, the technical requirement of the projects and the time of delivery of the projects.

The average annual revenue contributed by each technical staff of the Group was determined by the Group taking into consideration of various factors including the number of technical staff of the Group required, their respective chargeable rate of each technical staff of the Group, the number of hours spent on different projects, the time of delivery for the IT Outsourcing projects from Huawei Group etc. based on the past experience the Group gained from the provision of IT Outsourcing serviced to Huawei Group.

INFORMATION OF THE GROUP

The Group is an established corporation that provides global software and information technology (IT) services in China. It is a comprehensive provider of end-to-end software and information services, ranging from consulting to solution, outsourcing and 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 25,000 employees.

INFORMATION OF HUAWEI GROUP

Huawei is a leading global information and communications technology solutions provider. Huawei has established end-to-end advantages in telecom networks, devices and cloud computing and is committed to creating maximum value for telecom operators, enterprises and consumers by providing competitive solutions and services. For more information about Huawei, please refer to www.huawei.com.

BUSINESS CONTRACTING PROCESS

According to the information of the Directors, Huawei will carry out a tender at the end of each year open to all IT outsourcing companies like the Group who are interested in becoming one of Huawei Group's IT outsourcing service providers in the following year. Should the Group would like to become one of the IT service providers of Huawei Group, the Group will submit to them a bid setting out the Group's information including but not limited to the number, qualification and experience of its staff responsible to its IT outsourcing business for bidding purpose. Huawei will then sign a framework agreement with those who won the bid (the "**Qualified Candidates**") confirming that each of the Qualified Candidates will become one of the qualified IT outsourcing service providers of Huawei Group in the following year.

Should Huawei Group have any tasks that it would like to outsource to IT outsourcing companies like the Group, Huawei Group will either (i) carry out a tender for that specific IT outsourcing task open only to the Qualified Candidates; or (ii) offer to a designated IT outsourcing company which is one of the Qualified Candidates. For tender offers, Huawei Group will set out the terms and conditions of the project (including the transaction amount of the project, technical requirement and expected date of completion), the interested Qualified Candidates will send them the bid setting out, among others, the number of technical staff proposed to be deployed for the provision of such service and their respective expertise, and Huawei Group will then announce the winner of the tender. For offer to a designated Qualified Candidate, Huawei Group will propose to the designated Qualified Candidate terms and conditions of providing such specific IT outsourcing business to Huawei Group and the designated Qualified Candidate then decide whether to accept such offer based on the terms offered from Huawei Group.

Should the Group become the IT outsourcing service provider in respect of a specific task for Huawei Group, the Group will designate a team to discuss the detailed terms, and by considering the estimated manpower and profit margin, with Huawei Group for services to be provided by the Group. A written purchase order or project agreement for such service will subsequently be entered between the Group and Huawei Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE HUAWEI IT OUTSOURCING AGREEMENT

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. The Group commenced the provision of IT Outsourcing service to Huawei Group since 2009. Huawei Group is one of the major customers of the Group in respect of its IT Outsourcing business. The transaction amounts in respect of the provision of IT Outsourcing service by the Group to Huawei Group for each of the three years ended 31 December 2012, 2013 and 2014 were approximately RMB 470.0 million, RMB 711.5 million and RMB 1,337.5 million respectively, representing approximately 38.5%, 51.2% and 66.0% of the revenue attributable to the IT Outsourcing business of the Group for their respective financial year. The entering into of the Huawei IT Outsourcing Agreement therefore allows the Group to maintain the business relationship with Huawei Group and generate an increasing turnover of the Group by providing IT Outsourcing service to Huawei Group.

Based on the above, the Board (including all the independent non-executive Directors) considers that the entering into of the Huawei IT Outsourcing Agreement is in the ordinary course of business of the Group and that the terms of such agreement are determined after arm's length negotiation with the Huawei Group. Accordingly, the Board (including all the independent non-executive Directors) is of the view that the terms of the Huawei IT Outsourcing Agreement (including the Annual Caps) are fair and reasonable, on normal commercial terms or better and that the entering into the Huawei IT Outsourcing Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Huawei is a substantial shareholder of Chinasoft International, holding approximately 40% of its equity interest, with it remaining 60% equity interest owned by CSI (China), being a wholly-owned subsidiary of the Company. Members of the Huawei Group are therefore connected persons of the Company at the subsidiary level under the Listing Rules and thus these recurring transactions between Chinasoft International and the Huawei Group contemplated under the Huawei IT Outsourcing Agreement shall constitute continuing connected transactions under the Listing Rules. And these continuing connected transactions under the Huawei IT Outsourcing Agreement shall be subject to the reporting and announcement requirements, but are exempted from the circular, independent financial advice and independent shareholders' approval

requirements pursuant to Rule 14A.101 of the Listing Rules as (i) the Board (including all the independent non-executive Directors) has approved the Board resolution regarding the entering into of the Huawei IT Outsourcing Agreement, and (ii) the independent non-executive Directors have confirmed that terms of the transactions contemplated under the Huawei IT Outsourcing Agreement are fair and reasonable, the transactions are on normal commercial terms or better and in the interest of the Company and the Shareholders as a whole.

No Director has any interest in the transactions contemplated under the Huawei IT Outsourcing Agreement and thus no Director has to abstain from voting on the Board resolution for approving the Huawei IT Outsourcing Agreement and the Annual Caps.

DEFINITIONS

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

“Annual Cap(s)”	the maximum annual amount of service fee in respect of the provision of IT Outsourcing service by Chinasoft International to Huawei Group for the period from the Effective Date up to and including 29 June 2017 pursuant to the Huawei IT Outsourcing Agreement
“Board”	the board of Directors
“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
“Chinasoft International”	中軟國際科技有限公司(Chinasoft International Technology Co., Ltd.*), a joint venture established in the PRC, which is owned as to 60% and 40% by CSI (China) and Huawei, respectively
“connected person(s)”	such term has the meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	such term has the meaning ascribed to it under the Listing Rules
“CSI (China)”	中軟國際(中國)科技有限公司 (Chinasoft International (China) Technology Co., Ltd.*), a limited company incorporated in the PRC, being a wholly-owned subsidiary of the Company

“Director(s)”	directors of the Company
“Effective Date”	the date on which all the conditions precedent of the Huawei IT Outsourcing Agreement have been fulfilled
“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 Technology Company Limited*), a limited liability company established in the PRC
“Huawei Group”	Huawei and its subsidiaries (excluding Chinasoft International and its subsidiaries)
“Huawei IT Outsourcing Agreement”	the information technology outsourcing agreement dated 29 June 2015 entered into between Chinasoft International and Huawei which sets out the principles on which future provision of IT Outsourcing business to Huawei Group by Chinasoft International
“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)
“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 Huawei IT Outsourcing Agreement, namely Chinasoft International and Huawei
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC

“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	such term has the meaning ascribed to it under the Listing Rules
“%”	per cent

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

29 June 2015, Hong Kong

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

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

* *For identification purposes only*