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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**

This announcement is made by the Company pursuant to Rules 13.28 and 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance.

**ISSUE OF CONVERTIBLE NOTES UNDER GENERAL MANDATE**

The Board is pleased to announce that on 18 April 2017 (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 HK\$900,000,000 due in 2022. Completion is conditional upon the terms set out in the Subscription Agreement. The Subscriber, Dan Capital Management Ltd. (of which Mr. Chen Yidan (陳一丹), one of the founders of Tencent Holdings Limited, is the substantial shareholder and founding investor), is a company incorporated in the Cayman Islands and manages funds denominated in both Renminbi and U.S. dollars. The investment focus of the Subscriber includes fields of TMT (technology, media and telecom), consumption enhancement and intelligent manufacturing.

**REASONS FOR THE ISSUE OF THE CONVERTIBLE NOTES**

The Directors are of the view that the Company currently is a market leader in the IT services industry. The fund raising through issuance of the Convertible Notes will upgrade the development strategies of the Company, availing the Company to implementing its M&A activities and optimization of its commercial model, thereby

\* For identification purposes only

making new room for growth in furtherance of its vision in becoming a global IT services corporation, which aligns with the Company's target for strategic development and bringing higher return to its Shareholders.

Through this fund raising, the Company will build a long-term strategic relationship with the Subscriber. The Subscriber expressed that this Subscription was made based on factors of the Company including its excellent performance over the years, continually stable management team, leading position in the industry, innovative ideas as well as vision for favourable long-term development. The TMT industry is a key investment focus of the Subscriber and going forward will use its accumulated resources and experiences to assist the Company in identifying strategic and synergetic opportunities and fully support the M&A activities and capital operation. It will be committed to conducting long-term investment in the Company in support of the development of the Company in the long run. In this Convertible Notes fund raising, Mr. Chen will also be a major subscriber.

#### **EFFECT OF THE SUBSCRIPTION**

As at the date of this announcement, the Company has a total of 2,402,274,436 Shares in issue. Assuming full conversion of the Convertible Notes as at the date of this announcement based on the initial Conversion Price of HK\$5.00 per Conversion Share and that there are no other changes to the issued share capital of the Company (without taking into account any Shares that may be issued upon conversion of the Existing Convertible Notes and any Shares that may be issued under the Share Option Scheme), the Convertible Notes will be convertible into 180,000,000 Conversion Shares, representing (i) approximately 7.49% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 6.97% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

#### **GENERAL MANDATE**

At the annual general meeting of the Company held on 18 May 2016, an ordinary resolution was passed in respect of the General Mandate, pursuant to which the Directors were granted the power to allot, issue and deal with additional Shares up to a limit of 20% of the total number of issued Shares as at the date of the annual general meeting, which amounted to 431,699,503 Shares. The Directors have not exercised the power to allot and issue any new Shares pursuant to the General Mandate. The Conversion Shares to be issued upon conversion of the Convertible Notes will be allotted and issued under the General Mandate and, as such, no Shareholders' approval is required for the Subscription.

## **USE OF PROCEEDS**

The aggregate gross proceeds from the Subscription would be HK\$900,000,000. The net proceeds from the Subscription, after deducting all related fees and expenses, are estimated to be approximately HK\$899,270,000. Based on the net proceeds of approximately HK\$899,270,000, the net price per Conversion Share converted from the Convertible Notes is approximately HK\$4.996.

The Board intends to use the proceeds from the Subscription for the following purposes:

1. Approximately HK\$600,000,000 for mergers and acquisitions and establishing an M&A fund to upgrade new technological capability and strengthen the ecological construction of the cloud services;
2. Approximately HK\$100,000,000 for upgrading the platform Jiefanghao (解放號) to forge a comprehensive platform for the IT industry chain; and
3. Approximately HK\$200,000,000 for replenishing the Company's working capital and repaying certain bank loans with relatively higher interest rates.

## **APPLICATION FOR LISTING**

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.

**Shareholders and potential investors should note that completion of the Subscription is subject to the fulfillment or waiver of the Conditions Precedent. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

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

The Board is pleased to announce that on 18 April 2017 (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 HK\$900,000,000 due in 2022. The principal terms of the Subscription Agreement are set out below.

### **THE SUBSCRIPTION AGREEMENT**

#### **Date**

18 April 2017

#### **Parties**

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

#### **Convertible Note 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 HK\$900,000,000.

#### **Conditions Precedent**

The obligations of the Subscriber to subscribe for the Convertible Notes 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 (f) 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 Completion Date 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 Completion Date;
- (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 Completion Date, prevent the issue or sale of the Convertible Notes or the issue of, or conversion of the Convertible Notes into, the Conversion Shares;
- (g) a Cayman legal opinion issued by Cayman legal counsel to the Company shall have been provided (at its own cost) by the Company to the Subscriber;
- (h) the Subscriber shall have completed due diligence reviews on the Company (“**Due Diligence**”) to its reasonable satisfaction; and
- (i) no Event of Default (as described below) has occurred and is continuing.

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

- (a) all corporate (if applicable) 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 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 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 Completion Date 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 Completion Date; and

- (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 Completion Date, prevent the issue or sale of the Convertible Notes, or the or the issue of, or conversion of the Convertible Notes into, the Conversion Shares.

### **Completion**

Completion of the subscription of the Convertible Notes shall take place on a day falling on or before 18 May 2017, or such other time(s) or date(s) as the parties may agree in writing from time to time, following the satisfaction or waiver of the Conditions Precedent (other than those Conditions Precedent which are expressed to be satisfied on or as at the Completion Date, but subject to the waiver and/or satisfaction of such Conditions Precedent) in accordance with the Subscription Agreement.

Upon the Completion and during the period that the Subscriber holds any Convertible Note and/or any Conversion Share, subject to the memorandum and articles of association of the Company, and all applicable laws, rules (including the Listing Rules), regulations and codes applicable to the Company, the Subscriber shall be entitled to nominate a director to the board of directors of the Company (provided that such person shall fulfil and comply with relevant qualifications and requirements as directors of the Company under applicable laws, rules (including the Listing Rules), regulations and codes).

### **Undertakings by the Subscriber**

The Subscriber undertakes to the Company that it will complete the Due Diligence prior to 30 April 2017.

The Subscriber undertakes to the Company that it shall use its best efforts to establish, as soon as possible, two limited partnerships in the British Virgins Islands, and transfer its rights and obligations under the Subscription Agreement to such limited partnerships immediately upon establishment of such limited partnerships. The Subscriber undertakes to cause the two limited partnerships to, jointly and severally subscribe for the Convertible Notes in the aggregate principal amount of HK\$900,000,000 pursuant to the terms of the Subscription Agreement. The Subscriber also undertakes to the Company that it will cause Mr. CHEN Yidan (陳一丹) to, through subscription of the limited partnership interests in any of the two limited partnerships, hold indirectly, the beneficial ownership of an aggregate principal amount of HK\$540,000,000 of the Convertible Notes upon the Completion.

## **Termination**

The Subscriber may, by giving two Business Days' notice in writing to the Company but upon prior consultation with the Company, terminate the Subscription Agreement at any time on or before the Completion Date in any of the following circumstances:

- (a) if there is any material breach of, or any event rendering untrue or incorrect in any material respect, any of the warranties, representations or undertakings of the Company or any material failure to perform any of the Company's other obligations in the Subscription Agreement which breach or failure would give rise to the failure of a Condition Precedent and as a result of such breach, such condition would not be capable of being satisfied prior to the Long Stop Date;
- (b) if any Condition Precedent to the obligation of the Company has not been satisfied or waived by the Subscriber by the Long Stop Date;
- (c) an Event of Default (as described below) has occurred and is continuing; or
- (d) there shall have been a suspension of trading of the Shares on the Stock Exchange for ten (10) or more consecutive trading days.

The Company may, by giving two Business Days' notice in writing to the Subscriber but upon prior consultation with the Subscriber, terminate the Subscription Agreement at any time on or before the Completion Date in any of the following circumstances:

- (a) if there is any material breach of, or any event rendering untrue or incorrect in any material respect, any of the warranties, representations or undertakings of the Subscriber or any material failure to perform any of the Subscriber's other obligations in the Subscription Agreement which breach or failure would give rise to the failure of a Condition Precedent and as a result of such breach, such condition would not be capable of being satisfied prior to the Long Stop Date; or
- (b) if any Condition Precedent to the obligations of the Subscriber has not been satisfied or waived by the Company by the Long Stop Date.

## PRINCIPAL TERMS OF THE CONVERTIBLE NOTES

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

Issuer:	The Company
Principal Amount:	HK\$900,000,000
Maturity Date:	The date falling on the fifth anniversary of the Issue Date
Interest:	Interest is payable on the Convertible Notes at the rate of 3% 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 Hong Kong 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.
Default Interest:	If the Company fails to pay any amount payable by it (whether it is principal, interest or otherwise) under any Convertible Note on any due date, interest shall accrue on such unpaid sum from such due date to the date of actual payment at a rate which is 6% per annum, calculated on the basis of the actual number of days elapsed in a year of 360 days.
Status:	The Convertible Notes constitute general, unsubordinated, unconditional and unsecured obligations of the Company and shall rank <i>pari passu</i> 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 HK\$5,000,000 each. A Certificate will be issued to the Subscriber 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 entire principal amount of the Convertible Notes, on any Business Day on or prior to the close of business on the Maturity Date into Shares. 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.
Automatic Conversion:	Following three (3) years of the date of issue of the Convertible Notes and prior to the Maturity Date, all of the outstanding and unconverted Convertible Notes held by the Noteholders shall mandatorily be converted, based on the then-effective Conversion Price, into Shares, if the closing price of the Shares on the Stock Exchange equals or exceeds 150% of the then-effective Conversion Price for each of the fifty (50) consecutive trading days immediately preceding the date of conversion.
Conversion Price:	The initial Conversion Price is HK\$5.00 per Conversion Share, which is subject to adjustment in accordance with the terms of the Note Instrument.
Adjustments to the Conversion Price:	<p>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:</p> <p>(a) if and whenever the Shares become of a different nominal amount by reason of any consolidation, sub-division or re-classification. 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;</p>

- (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.

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, on the Maturity Date, the Convertible Notes will, at the option of the Company, be redeemed by the Company, or transferred to a person designated by the Company, provided that if the designated person fails to make full payment for any Convertible Note on the Maturity Date, the Company shall redeem such Convertible Note and make full payment to the Subscriber for such Convertible Note on the Maturity Date, at their respective principal amount outstanding together with accrued and unpaid interest thereon up to and including Maturity Date in Hong Kong dollars in an amount equivalent to the RMB Equivalent Amount of such principal amount and interests.

Transferability:	<p>Within three (3) years of the date of issue of the Notes, the Convertible Notes may not be transferred without the prior written consent of the Company. Following expiry of the three (3) year period, if the Subscriber intends to transfer all or part of the principal amount of any unconverted and outstanding Convertible Notes to a third party, the Subscriber shall notify the Company, to the extent that the Company notifies the Subscriber that an investor selected by the Company will purchase the Convertible Notes on the same terms and conditions stated in the Subscriber's notice, the Subscriber shall sell the Convertible Notes to the investor selected by the Company pursuant to the terms and conditions set forth in the Subscriber's notice. 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.</p>
Voting:	<p>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.</p>
Restriction on Transfer of Conversion Shares:	<p>Without the prior written consent of the Company, the Subscriber shall not sell or transfer any Conversion Shares (if any are converted from the Convertible Notes) to any person within three (3) years of the date of issue of the Convertible Notes. Following expiry of the three (3) year period, if the Subscriber intends to sell or transfer any Conversion Shares, the Subscriber shall notify the Company of its intention of transfer, and shall first consider the option to sell the Conversion Shares to an investor selected by the Company through block sale(s) at the prevailing market price. 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.</p>

## Company's Undertaking

The Company undertakes that, so long as any Convertible Note remains unconverted and outstanding, unless with prior approval of Noteholders of over 50% in aggregate principal amount of the outstanding Convertible Notes, it shall:

- (a) keep available for issue, out of authorised but unissued capital, sufficient Shares to satisfy in full the Conversion Rights at the Conversion Price;
- (b) ensure that all Conversion Shares issued upon conversion of Convertible Notes shall be duly and validly issued, fully paid and registered in the Company's register of members;
- (c) as soon as possible after the announcement of the full terms of any event which give rise to adjustments pursuant to terms of the Note Instrument (or, if later, as soon as the relevant adjustment thereunder can reasonably be determined), give notice to Noteholders advising them of the date on which the relevant adjustment of the Conversion Price is likely to become effective and of the effect of exercising the Conversion Rights pending such date;
- (d) comply with and procure the compliance of all conditions imposed by the Stock Exchange or by any other competent authority (in Hong Kong or elsewhere) for approval of the listing of and permission to deal in the Shares issued or to be issued on the exercise of the Conversion Rights and ensure the continued compliance thereof (provided in each case that the Noteholders comply with and satisfy all such conditions).

The Company undertakes that, from the issue date of the Convertible Notes and so long as any Convertible Note is outstanding and unconverted, if the initial Subscribers of the Convertible Notes collectively hold any Convertible Notes and/or any Conversion Shares that together account for an aggregate principal amount of HK\$360,000,000 or more of the original Convertible Notes, unless with the prior approval of the initial Subscribers:

- (a) Dr. CHEN Yuhong (陳宇紅), the Chairman and Chief Executive Officer of the Company, shall not sell in aggregate 120,000,000 or more Shares of the Company; and
- (b) the Company shall not issue (i) additional convertible notes having a conversion price of less than HK\$5.00 on the same (but not more favourable) terms and conditions as the Convertible Notes; or (ii) Shares, or rights or options to acquire Shares at a price less than HK\$4.00 per Share (with any necessary adjustment to any such price to reflect any subsequent sub-division, consolidation, re-classification of any related Share or such other change to such price as the parties may consider appropriate (acting reasonably) to reflect the prices of the related Shares fairly).

Events of Default:

So long as any Convertible Note remains unconverted and outstanding, if any one or more of the following events (each, an “**Event of Default**”) occurs, then any Noteholder may, by notice in writing given to the Company, declare any outstanding and unconverted Convertible Note held by it immediately due and payable, whereupon such Convertible Note shall become immediately due and payable without further formality:

- (a) there is default by the Company in the payment of any principal or interest in respect of any Convertible Note when due and such default continues for ten (10) days;
- (b) there is default by the Company in its obligation to deliver Shares as and when the Shares are required to be delivered following conversion of the Convertible Notes and such default continues for ten (10) days;

- (c) any other notes, debentures, notes or other instruments of indebtedness or any other loan indebtedness of the Company is declared to be prematurely repayable following a default in respect of the terms thereof which shall not have been remedied, or steps are taken to enforce any security therefor, or the Company in the repayment of any such indebtedness at the maturity thereof or any guarantee of or indemnity in respect of any indebtedness of others given by the Company shall not be honoured when due or called upon;
- (d) a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved;
- (e) an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of the Company and its Subsidiaries taken as a whole;
- (f) the Company ceases to carry on business;
- (g) the Company shall initiate or consent to proceedings seeking with respect to itself adjudication of bankruptcy or a decree of commencement of composition or reorganization or other similar procedures or the appointment of an administrator or other similar official under any applicable bankruptcy, reorganization or insolvency law or make a general assignment for the benefit of, or enter into any composition with, its creditors;
- (h) any event occurs which under the law of any relevant jurisdiction has an analogous effect to any of the events, referred to in any of the foregoing paragraphs; and/or
- (i) the Company ceases to be listed on the Stock Exchange or Shares are suspending from trading on the Stock Exchange for more than ten (10) trading days.

## CONVERSION PRICE AND CONVERSION SHARES

The initial Conversion Price is HK\$5.00 per Conversion Share, which represents:

- (a) a premium of approximately 17.65% to the Closing Price of HK\$4.25 on the Last Trading Date;
- (b) a premium of approximately 13.90% to the average Closing Price of HK\$4.39 for the last five Trading Days up to and including the Last Trading Date; and
- (c) a premium of approximately 11.86% to the average Closing Price of HK\$4.47 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\$5.00 per Conversion Share, a maximum number of 180,000,000 Shares will be allotted and issued upon exercise of the Conversion Rights attached to the Convertible Notes in full, representing (i) approximately 7.49% of the issued share capital of the Company as at the date of this announcement, and (ii) approximately 6.97% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares (without taking into account any Shares that may be issued upon conversion of the Existing Convertible Notes and any Shares that may be issued under the Share Option Scheme). The aggregate nominal value of the Conversion Shares will be HK\$9,000,000.

The Conversion Shares, when issued, 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**

At the annual general meeting of the Company held on 18 May 2016, an ordinary resolution was passed in respect of the General Mandate, pursuant to which the Directors were granted the power to allot, issue and deal with additional Shares up to a limit of 20% of the total number of issued Shares as at the date of the annual general meeting, which amounted to 431,699,503 Shares. The Directors have not exercised the power to allot and issue any new Shares pursuant to the General Mandate. As at the date of this announcement, the Directors have power to issue up to 431,699,503 Shares pursuant to the General Mandate. Accordingly, the Conversion Shares to be issued upon conversion of the Convertible Notes will be allotted and issued under the General Mandate and, as such, no Shareholders' approval is required for the Subscription.

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 50,000 employees.

## **INFORMATION ON THE SUBSCRIBER**

The Subscriber is a company incorporated in the Cayman Islands. It aims to be a long-term business partner of leading Chinese enterprises and entrepreneurs, and to foster enterprises with influence in the future. The investment focuses of the Subscriber include fields of TMT, consumption enhancement and intelligent manufacturing. The Subscriber manages funds denominated in both Renminbi and U.S. dollars. Mr. Chen Yidan (陳一丹), one of the five founders of Tencent Holdings Limited, is the substantial shareholder and founding investor of the Subscriber. 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, the Company has no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares. The following table sets out the effect of the Subscription on shareholding structure of the Company, assuming that (1) no shares will be issued pursuant to any exercise of the share options granted or to be granted under the Share Option Scheme and (2) 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\$5.00 (assuming no conversion under the Existing Convertible Notes)		Immediately after (i) the issue of the Conversion Shares upon full conversion of the Convertible Notes at the initial Conversion Price of HK\$5.00 and (ii) the issue of the new Shares pursuant to full conversion of the Existing Convertible Notes at the prevailing conversion price of HK\$3.00	
	Shares	%	Shares	%	Shares	%
<b>Directors</b>						
Dr. Chen Yuhong	264,392,861	11.01%	264,392,861	10.24%	264,392,861	9.84%
Dr. Tang Zhenming	11,827,765	0.49%	11,827,765	0.46%	11,827,765	0.44%
<b>Public Shareholders</b>						
Existing Noteholder	0	0.00	0	0.00	103,992,922	3.87%
Dan Capital Management Ltd. (Subscriber)	0	0.00	180,000,000	6.97%	180,000,000	6.70%
Other public Shareholders	<u>2,126,053,810</u>	<u>88.50%</u>	<u>2,126,053,810</u>	<u>82.33%</u>	<u>2,126,053,810</u>	<u>79.15%</u>
<b>Total</b>	<b><u>2,402,274,436</u></b>	<b><u>100.00%</u></b>	<b><u>2,582,274,436</u></b>	<b><u>100.00%</u></b>	<b><u>2,686,267,358</u></b>	<b><u>100.00%</u></b>

## **USE OF PROCEEDS**

The aggregate gross proceeds from the Subscription would be HK\$900,000,000. The net proceeds from the Subscription, after deducting all related fees and expenses, are estimated to be approximately HK\$899,270,000. Based on the net proceeds of approximately HK\$899,270,000, the net price per Conversion Share converted from the Convertible Notes is approximately HK\$4.996.

The Board intends to use the proceeds from the Subscription for the following purposes:

1. Approximately HK\$600,000,000 for mergers and acquisitions (“M&A”) and establishing an M&A fund to upgrade new technological capability and strengthen the ecological construction of the cloud services;
2. Approximately HK\$100,000,000 for upgrading the platform Jiefanghao (解放號) to forge a comprehensive platform for the IT industry chain; and
3. Approximately HK\$200,000,000 for replenishing the Company’s working capital and repaying certain bank loans with relatively higher interest rates.

## **REASONS FOR THE ISSUE OF THE CONVERTIBLE NOTES**

The Directors are of the view that the Company currently is a market leader in the IT services industry. The fund raising through issuance of the Convertible Notes will upgrade the development strategies of the Company, availing the Company to implementing its M&A activities and optimization of its commercial model, thereby making new room for growth in furtherance of its vision in becoming a global IT services corporation, which aligns with the Company’s target for strategic development and bringing higher return to its Shareholders.

Through this fund raising, the Company will build a long-term strategic relationship with the Subscriber. The Subscriber expressed that this Subscription was made based on factors of the Company including its excellent performance over the years, continually stable management team, leading position in the industry, innovative ideas as well as vision for favourable long-term development. The TMT industry is a key investment focus of the Subscriber and going forward the Subscriber will use its accumulated resources and experiences to assist the Company in identifying strategic and synergetic opportunities and fully support the M&A activities and capital operation. It will be committed to conducting long-term investment in the Company in support of the development of the Company in the long run. In this Convertible Notes fund raising, Mr. Chen will also be a major subscriber.

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 attached 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 not conducted any fund raising activities during the past 12 months immediately preceding the date of this announcement.

## **APPLICATION FOR LISTING**

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 Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

**Shareholders and potential investors should note that completion of the Subscription is subject to the fulfillment or waiver of the Conditions Precedent. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

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

“Board”	the board of Directors
“Business Day”	a day (except a Saturday, a Sunday or a public holiday) on which banks in Hong Kong and the PRC 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”	the completion of the issue and subscription of the Convertible Notes
“Completion Date”	the date of the Completion
“Conditions Precedent”	the conditions precedent to the Completion
“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 Price”	the price per Conversion Share, such price initially being HK\$5.00 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 the principal amount of the Convertible Notes into Shares of the Company
“Conversion Shares”	the Shares to be issued upon conversion of the Convertible Notes

“Convertible Notes”	the Convertible Notes in an aggregate principal amount of HK\$900,000,000 due in 2022 to be issued by the Company to the Subscriber under the Subscription Agreement
“Directors”	the directors of the Company
“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 US\$40 million due in 2019 issued by the Company, which is convertible into Shares at the prevailing conversion price of HK\$3.00 per Share, further details of which are set out in the announcement of the Company dated 3 February 2016
“Existing Noteholder”	Huarong International Asset Management Growth Fund L.P., an exempted limited partnership established in the Cayman Islands
“General Mandate”	the general mandate granted to the Board by the Shareholders at the annual general meeting of the Company held on 18 May 2016 to allot and issue Shares up to an aggregate number not exceeding 20% of the total number of Shares in issue as at the date of the annual general meeting
“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
“independent third party”	person or company which is independent of the Company and its connected persons
“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

“Last Trading Date”	18 April 2017, 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, as amended or supplemented from time to time
“Long Stop Date”	31 August 2017
“Maturity Date”	the date falling on the fifth 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 Existing Convertible Notes and of the Convertible Notes as well as the particulars of the Existing Convertible Notes and the Convertible Notes held by them and of all transfers of the Existing Convertible Notes and 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 Hong Kong dollars as published by the People’s Bank of China on the Issue Date
“Share(s)”	the ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Share Option Scheme”	the share option scheme adopted by the Shareholders of the Company on 20 May 2013 the principal terms of which are summarized in the circular of the Company dated 17 April 2013
“Shareholders”	the holders of the Shares

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Dan Capital Management Ltd., a company incorporated in the Cayman Islands
“Subscription”	the subscription of the Convertible Notes by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 18 April 2017 entered into by and between the Company and the Subscriber in respect of the Subscription
“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.

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

18 April 2016, Hong Kong

*As at the date of this announcement, the Board comprises two executive Directors, namely Dr. Chen Yuhong and Dr. Tang Zhenming, two non-executive Directors, namely Dr. Zhang Yaqin and Mr. Samuel Thomas Goodner, and three independent non-executive Directors, namely Mr. Zeng Zhijie, Dr. Leung Wing Yin Patrick and Dr. Lai Guanrong.*

\* *For identification purposes only*