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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountants or other professional adviser.

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

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中软国际

CHINASOFT INTERNATIONAL LIMITED

中軟國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 354)

CONTINUING CONNECTED TRANSACTIONS

**Independent financial adviser to the Independent Board Committee and the Shareholders of
Chinasoft International Limited
in respect of the Continuing Connected Transactions**



A letter from the Board is set out on pages 4 to 11 of this circular.

A letter from the Independent Board Committee is set out on page 12 of this circular.

A letter from New Spring Capital Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the Shareholders is set out on pages 13 to 25 of this circular.

A notice for convening the extraordinary general meeting (“EGM”) of Chinasoft International Limited (the “Company”) to be held at 4:00 p.m., on Monday, 12 March 2012 at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen’s Road Central, Hong Kong is set out on pages 30 to 31 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions contained thereon and return it to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong or the principal place of business of the Company in Hong Kong at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen’s Road Central, Hong Kong, as soon as possible and in any event not less than 48 hours before the time scheduled for holding of the EGM (or any adjourned meeting thereof). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment if you so desire.

* For identification purpose only

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DEFINITIONS

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

“Annual Cap(s)”	the maximum annual amount of service fee in respect of the provision of IT Outsourcing service by the Group to Huawei Group for the period from the Effective Date up to and including 31 December 2012 and each of the two years ended 31 December 2014 pursuant to the Huawei IT Outsourcing Agreement;
“associate(s)”	such term has the meaning ascribed to it under the Listing Rules;
“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;
“Completion”	completion of the establishment of the IT Outsourcing Flagship pursuant to terms and conditions of the Huawei Equity Participation Agreement;
“connected person(s)”	such term has the meaning ascribed to it under the Listing Rules;
“connected transaction(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;
“Director(s)”	directors of the Company;
“Effective Date”	the date on which all the conditions precedent of the Huawei IT Outsourcing Agreement having been fulfilled;
“EGM”	the extraordinary general meeting of the Company to be held at 4:00 p.m., on Monday, 12 March 2012 at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen’s Road Central, Hong Kong, to consider and, if thought fit, approve the resolution in respect of the Huawei IT Outsourcing Agreement (including the Annual Caps) and the transactions contemplated thereunder;
“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;

DEFINITIONS

“Huawei”	華為技術有限公司 (Huawei Technology Company Limited*), a limited liability company established in the PRC;
“Huawei Equity Participation Agreement”	the capital contribution agreement dated 12 January 2012 entered into between Chinasoft International (China) Technology Co., Ltd. (being a wholly-owned subsidiary of the Company) and Huawei in relation to the establishment of the IT Outsourcing Flagship and the equity participation of Huawei in the IT Outsourcing Flagship;
“Huawei Group”	Huawei, its subsidiaries and associated companies (excluding the IT Outsourcing Flagship);
“Huawei IT Outsourcing Agreement”	the information technology outsourcing agreement dated 30 January 2012 entered into between the Company and Huawei which sets out the framework on which future provision of IT Outsourcing business to Huawei Group by the Group (inclusive of the IT Outsourcing Flagship) upon the establishment of the IT Outsourcing Flagship;
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. ZENG Zhijie, Dr. LEUNG Wing Yin and Mr. XU Zeshan;
“IT Outsourcing”	the contracting or 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);
“IT Outsourcing Flagship”	中軟國際科技服務有限公司 (Chinasoft International Technology Services Co., Ltd.*), a joint venture to be established in the PRC pursuant to the Huawei Equity Participation Agreement, which is to be owned as to 60% and 40% by Chinasoft International (China) Technology Co., Ltd. (being a wholly-owned subsidiary of the Company) and Huawei respectively immediately upon Completion;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Latest Practicable Date”	13 February 2012, being the latest practicable date for ascertaining certain information to be included in this circular;

DEFINITIONS

“New Spring Capital”	New Spring Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Shareholders in respect of the Huawei IT Outsourcing Agreement (including the Annual Caps), whose letter of advice forms part of this circular;
“Parties”	parties to the Huawei IT Outsourcing Agreement, namely the Company and Huawei;
“percentage ratio(s)”	such term has the meaning as ascribed to it under the Listing Rules;
“PRC” or “China”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan);
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	Securities and Futures Ordinance, Cap 571 of the laws of Hong Kong;
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Shares;
“substantial shareholder(s)”	such term has the meaning as ascribed to it under the Listing Rules;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

For illustration purpose only, conversion of RMB into Hong Kong dollars in this circular is based on the exchange rate of RMB0.81346 to HK\$1.00. Such conversion should not be construed as a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate.

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

* For identification purpose only

LETTER FROM THE BOARD



中软国际

CHINASOFT INTERNATIONAL LIMITED

中軟國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 354)

Executive Directors:

Dr. CHEN Yuhong

(Chairman and Chief Executive Officer)

Dr. TANG Zhenming

Mr. WANG Hui

Mr. JIANG Xiaohai

Registered office:

Cricket Square, Hutchins Drive

P. O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

Non-executive Directors:

Mr. ZHAO John Huan

Dr. ZHANG Yaqin

Dr. SONG Jun

Mr. LIN Sheng

Mr. SHEN Lipu

Principal place of business in Hong Kong

Units 4607-8, 46th Floor,

COSCO Tower

No.183 Queen's Road Central

Hong Kong

Independent non-executive Directors:

Mr. ZENG Zhijie

Dr. LEUNG Wing Yin

Mr. XU Zeshan

17 February 2012

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Continuing Connected Transactions

The Board announced on 12 January 2012 the proposed establishment of the IT Outsourcing Flagship and the equity participation of Huawei in the IT Outsourcing Flagship pursuant to the Huawei Equity Participation Agreement. The Huawei Equity Participation Agreement is conditional upon, among others, (i) the Huawei IT Outsourcing Agreement being entered into by the Parties; and (ii) the Huawei IT Outsourcing Agreement being approved by the Shareholders at the EGM.

LETTER FROM THE BOARD

The Group commenced the provision of IT Outsourcing service to Huawei Group since September 2009. Currently, Huawei is one of the major customers of the Group in respect of the IT outsourcing business of the Group whose transaction amounts accounted for approximately 22%, 39% and 36% of the revenue attributable to the IT outsourcing business of the Group for each of the two years ended 31 December 2010 and the six months ended 30 June 2011. The Group expects to continue to provide IT Outsourcing service to Huawei Group after Completion.

In view of the recurring transactions between the Group and Huawei Group upon Completion, on 30 January 2012, the Company and Huawei entered into the Huawei IT Outsourcing Agreement pursuant to which the Group shall provide the IT Outsourcing service to Huawei Group on a recurring basis during the period from the Effective Date up to and including 31 December 2014. The Huawei IT Outsourcing Agreement is just a framework agreement which set out the principles governing the transactions between the Group and Huawei Group in respect of the IT Outsourcing business. The Parties shall enter into a separate project agreement, purchase order and/or other forms of agreement setting out the detailed terms and conditions (including the transaction amount, project milestones and project completion date) for each project. The terms (including the service fee) in respect of the provision of IT Outsourcing service by the Group to Huawei Group pursuant to the Huawei IT Outsourcing Agreement will be determined based on arm's length negotiation between the Parties.

Listing Rules Implications

Huawei has been a customer of the Group in respect of its IT Outsourcing business since September 2009 and such recurring transactions is expected to continue upon Completion. Upon Completion, the IT Outsourcing Flagship will become a non-wholly owned subsidiary of the Company and Huawei will become a substantial shareholder of the IT Outsourcing Flagship holding 40% of its equity interest immediately upon Completion. Thus, upon Completion, Huawei will become a connected person of the Company, and any continuing transactions between the Group and Huawei Group will constitute continuing connected transactions of the Company.

As the applicable percentage ratios (other than the profits ratio) in respect of each of the Annual Caps exceed 5% and each of the Annual Caps is more than HK\$10 million, the transactions under the Huawei IT Outsourcing Agreement are subject to reporting, annual review, announcement and independent Shareholders' approval requirements under the Listing Rules.

Given no Shareholder has a material interest in the transactions contemplated under the Huawei IT Outsourcing Agreement, no Shareholder is required to abstain from voting on the resolution(s) in relation to the Huawei IT Outsourcing Agreement and the Annual Caps at the EGM. 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.

General

The purpose of this circular is (i) to provide you with details of the Huawei IT Outsourcing Agreement and the Annual Caps; and (ii) to set out the letter of advice from the Independent Board Committee and the letter of advice from New Spring Capital regarding the Huawei IT Outsourcing

LETTER FROM THE BOARD

Agreement and the Annual Caps; and (iii) to provide you with the notice of the EGM to be convened for the Shareholders to consider and, if thought fit, approve, among other things, the Huawei IT Outsourcing Agreement and the Annual Caps.

THE HUAWEI IT OUTSOURCING AGREEMENT

Set out below is a summary of the principal terms of the Huawei IT Outsourcing Agreement:

Date

30 January 2012

Parties

- (1) the Company; and
- (2) Huawei

Scope of services

The Group 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 31 December 2014.

Service fee

The service fee payable by Huawei Group to the Group in respect of the provision of the IT Outsourcing service is determined with reference to the Group's reasonable profit margins in respect of the provision of IT Outsourcing service, the average number of technical staff of the Group required for the completion of a project, the technical requirement of each project, time of delivery and 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;

LETTER FROM THE BOARD

- (3) the obtaining of the approval from the Shareholders in respect of the Huawei IT Outsourcing Agreement at a general meeting of the Company and the Board having approved the Huawei IT Outsourcing Agreement;
- (4) the obtaining of the approval from the shareholders of Huawei in respect of the Huawei IT Outsourcing Agreement; and
- (5) 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 the Group to Huawei Group during the term of the Huawei IT Outsourcing Agreement:

	For the period from the Effective Date up to and including 31 December 2012	For the year ended 31 December	
		2013	2014
Provision of IT Outsourcing service by the Group to Huawei Group	RMB816 million (equivalent to approximately HK\$1,003 million)	RMB1,488 million (equivalent to approximately HK\$1,829 million)	RMB1,800 million (equivalent to approximately HK\$2,213 million)

The Annual Caps were determined with reference to, among others, the estimated average number of technical staff of the Group to be deployed for the provision of IT Outsourcing service to Huawei Group per annum, the average annual revenue contributed by each technical staff of the Group in respect of their provision of IT Outsourcing service to Huawei Group and 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 to be deployed for the provision of IT Outsourcing service to 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 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 IT Outsourcing projects from Huawei Group etc. based on the past experience the Group gained from the provision of IT Outsourcing service to Huawei Group.

LETTER FROM THE BOARD

INFORMATION OF THE GROUP

The Group is principally engaged in the provision of consulting-powered solutions, professional information technology outsourcing (ITO) and business process outsourcing (BPO), and human resources supply chain oriented training services, including information technology consulting, software development, application integration, software testing, software localization, construction and maintenance of business application platforms, IT outsourcing and operational process outsourcing.

IT outsourcing is a practice of seeking resources outside of an organization for all or part of an information technology function. It is a contractual arrangement between the two companies and that can be for any period of time whether it is month-to-month or yearly, etc.

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 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.

LETTER FROM THE BOARD

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

The Group has commenced the provision of IT Outsourcing service to Huawei Group since September 2009. Currently, Huawei Group is one of the major customers of the Group in respect of its IT outsourcing business. The transaction amount in respect of the provision of IT outsourcing service by the Group to Huawei Group for each of the two years ended 31 December 2010 and the six months ended 30 June 2011 were approximately RMB99 million, RMB269 million and RMB169 million respectively, representing approximately 22%, 39% and 36% of the revenue attributable to the IT outsourcing business of the Group of their respective financial year or period.

With the equity participation of Huawei in the IT Outsourcing Flagship (being the entity into which the Group intends to gradually consolidating its IT outsourcing resources), the Group expects that it can further strengthen the current business relationship, expand service scale and scope, and become a core IT outsourcing service providers of Huawei. The transactions between the Group and Huawei Group are expected to continue on a recurring basis upon Completion. Accordingly, the entering of the Huawei IT Outsourcing Agreement is expected to enable the Group to generate an increasing turnover with respect of its IT Outsourcing service with Huawei Group.

The entering into the Huawei IT Outsourcing Agreement is one of the conditions precedent for the Huawei Equity Participation Agreement to become effective. Thus, the entering of the Huawei Equity Participation Agreement is essential for the IT Outsourcing Flagship to achieve the abovementioned benefits to the Group.

The Directors (including the independent non-executive Directors) consider that the entering into 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 Huawei Group. Accordingly, the Directors (including the independent non-executive Directors) are of the view that the terms of the Huawei IT Outsourcing Agreement (including the Annual Caps) are fair and reasonable, on normal commercial terms and that the entering into the IT Outsourcing Agreement is in the interests of the Group and its 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.

LISTING RULES IMPLICATIONS

Huawei has been a customer of the Group in respect of its IT Outsourcing business since September 2009 and such recurring transactions are expected to continue upon Completion. Upon Completion, the IT Outsourcing Flagship will become a non-wholly owned subsidiary of the Company and Huawei will be a substantial shareholder of the IT Outsourcing Flagship holding 40% of its equity interest immediately upon Completion. Therefore, Huawei will become a connected person of the Company immediately upon Completion. Accordingly, any future continuing transactions between the Group and Huawei Group will constitute continuing connected transactions of the Company.

LETTER FROM THE BOARD

As the applicable percentage ratios (other than the profit ratio) in respect of each of the Annual Caps exceed 5% and each of the Annual Caps is more than HK\$10 million, the transactions under the Huawei IT Outsourcing Agreement is subject to reporting, annual review, announcement and independent Shareholders' approval requirements under the Listing Rules.

EGM

An EGM will be convened at which resolution will be proposed to seek Shareholders' approval for the Huawei IT Outsourcing Agreement and the Annual Caps. Given no Shareholder has a material interest in the transactions contemplated under the Huawei IT Outsourcing Agreement, no Shareholder is required to abstain from voting on the resolution in relation to the Huawei IT Outsourcing Agreement and the Annual Caps at the EGM. At the EGM, votes will be taken by way of poll.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions contained thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or the principal place of business of the Company in Hong Kong at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen's Road Central, Hong Kong, as soon as possible and in any event not less than 48 hours before the time scheduled for holding of the EGM (or any adjourned meeting thereof). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment if you so desire.

RECOMMENDATIONS

New Spring Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Shareholders with regard to the Huawei IT Outsourcing Agreement and the Annual Caps. The text of the letter of advice from New Spring Capital to the Independent Board Committee and the Shareholders is set out on pages 13 to 25 of this circular.

The letter from the Independent Board Committee, which contains its advice to the Shareholders in respect of the Huawei IT Outsourcing Agreement and the Annual Caps, is also set out on page 12 of this circular.

The Board considers that the Huawei IT Outsourcing Agreement and the Annual Caps are in the interests of the Company and the Shareholders and that the terms of the Huawei IT Outsourcing Agreement is fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM for approving the Huawei IT Outsourcing Agreement and the Annual Caps as set out in the notice of the EGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of
Chinasoft International Limited
Dr. Chen Yuhong
Chairman and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

17 February 2012

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We have been appointed as members of the Independent Board Committee to give our advice on the Huawei IT Outsourcing Agreement and the Annual Caps, details of which are set out in the letter from the Board included in the circular to the Shareholders dated 17 February 2012 (the “Circular”), of which this letter forms a part. Terms used herewith shall have the same meanings as those defined in the Circular unless the context otherwise requires.

New Spring Capital has been appointed as the independent financial adviser to advise us on the Huawei IT Outsourcing Agreement and the Annual Caps. The letter from New Spring Capital is set out on pages 13 to 25 of the Circular.

Having considered the terms of the Huawei IT Outsourcing Agreement and the Annual Caps, the advice given by New Spring Capital and the principal factors and reasons taken into consideration by them in arriving at their advice, we are of the opinion that the entering of the Huawei IT Outsourcing Agreement and the Annual Caps are in the interests of the Company and the Shareholders as a whole, and the terms of the Huawei IT Outsourcing Agreement are fair and reasonable so far as the Company and the Shareholders as a whole are concerned. Accordingly, we recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM for approving the Huawei IT Outsourcing Agreement and the Annual Caps.

Yours faithfully,

Independent Board Committee

Mr. ZENG Zhijie

*Independent non-executive
Director*

Dr. LEUNG Wing Yin

*Independent non-executive
Director*

Mr. XU Zeshan

*Independent non-executive
Director*

* For identification purpose only

LETTER FROM NEW SPRING CAPITAL

The following is the text of the letter of advice from New Spring Capital Limited, the independent financial adviser, to the Independent Board Committee and the Shareholders in respect of the Huawei IT Outsourcing Agreement and the Annual Caps, which has been prepared for the purpose of inclusion in this circular.



10th Floor
Hip Shing Hong Centre
55 Des Voeux Road Central
Central
Hong Kong

17 February 2012

*To: the Independent Board Committee and
the Shareholders of Chinasoft International Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Shareholders in relation to the continuing connected transactions pursuant to the Huawei IT Outsourcing Agreement and the Annual Caps. Details of the Huawei IT Outsourcing Agreement and the Annual Caps are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 17 February 2012 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

The Board announced on 12 January 2012 the proposed establishment of the IT Outsourcing Flagship and the equity participation of Huawei in the IT Outsourcing Flagship pursuant to the Huawei Equity Participation Agreement. The Huawei Equity Participation Agreement is conditional upon, among others, (i) the Huawei IT Outsourcing Agreement being entered into by the Parties; and (ii) the Huawei IT Outsourcing Agreement being approved by the Shareholders at the EGM.

Immediately upon Completion, the IT Outsourcing Flagship will become a non-wholly owned subsidiary of the Company and Huawei will therefore become a substantial shareholder of the IT Outsourcing Flagship, holding 40% of its equity interest. Hence, upon Completion, Huawei and its associates will be regarded as connected persons of the Company under Chapter 14A of the Listing Rules and any continuing transactions between the Group and Huawei Group will constitute continuing connected transactions of the Company and would therefore have to be carried out in compliance with the Listing Rules. In order to continue the recurring transactions on IT Outsourcing business between the Group and Huawei Group after Completion and to comply with the requirements of the Listing Rules, the

LETTER FROM NEW SPRING CAPITAL

Company and Huawei entered into the Huawei IT Outsourcing Agreement on 30 January 2012 to record the principles governing such continuing connected transactions between the Group and Huawei Group during the period from the Effective Date up to and including 31 December 2014.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. ZENG Zhijie, Dr. LEUNG Wing Yin and Mr. XU Zeshan, has been established to make a recommendation to the Shareholders of the Company as to whether the terms of the continuing connected transactions pursuant to the Huawei IT Outsourcing Agreement and the Annual Caps are fair and reasonable and whether the continuing connected transactions are of the interests of the Company and the Shareholders as a whole. We, New Spring Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Shareholders in the same regard.

We are not associated with the Company, Huawei, or their respective substantial shareholders or associates, and accordingly, are considered eligible to give independent advice on the Huawei IT Outsourcing Agreement, the Annual Caps and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, Huawei, or their substantial shareholders or associates. We do not by this letter, warrant the merits of the equity participation of Huawei in the IT Outsourcing Flagship contemplated under the Huawei Equity Participation Agreement.

BASIS AND ASSUMPTIONS OF OUR ADVICE

In formulating our opinions and recommendations, we have reviewed, among other things, the Huawei IT Outsourcing Agreement, the Annual Caps, the annual reports (the “**Annual Report(s)**”) of the Company for each of the two years ended 31 December 2010 and the interim report (the “**Interim Report**”) of the Company for the six months ended 30 June 2011. We have also discussed with the representatives of the Group and Huawei Group regarding the IT Outsourcing businesses between the Group and Huawei Group.

In addition, we have relied upon the statements, information, facts, opinions and representations contained or referred to in the Circular and the statements, information, facts, and representations provided by and the opinion expressed by the Company, the Directors and/or the management of the Group (the “**Management**”). We have assumed that all such statements, information, facts, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Company, the Directors and/or the Management and for which it is/they are solely responsible were true, accurate, complete and valid in all respect at the time they were made and continued to be true, accurate, complete and valid as at the Latest Practicable Date.

We have assumed that all the statements of belief, opinions and intention made or provided by the Company, the Directors and/or the Management contained or referred to in the Circular have been reasonably made after due and careful enquiry and are based on honestly held opinions. We have no reason to doubt the truth, accuracy and completeness of the statements, information, facts, opinions and representations provided to us by the Company, the Directors and/or the Management. We have also sought and obtained confirmation from the Company, the Directors and/or the Management that no material facts have been omitted from the information and representations provided and opinions

LETTER FROM NEW SPRING CAPITAL

expressed and referred to in the Circular. We have no reason to suspect that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular, nor do we have reason to doubt the reasonableness of the opinions and representation provided to us by the Company, the Directors and/or the Management.

We consider that we have performed all reasonable steps as required under Rule 13.80 of the Listing Rules to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business, financial positions and affairs or the future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinions and recommendations to the Independent Board Committee and the Shareholders with regard to the Huawei IT Outsourcing Agreement and the Annual Caps, we have taken into consideration the following principal factors and reasons:

1. Reasons for and benefits of entering into the Huawei IT Outsourcing Agreement

(a) Information about the Group and Huawei Group

The Group is principally engaged in the provision of consulting-powered solutions, professional information technology outsourcing (ITO) and business process outsourcing (BPO), and human resources supply chain oriented training services, including information technology consulting, software development, application integration, software testing, software localization, construction and maintenance of business application platforms, IT outsourcing and operational process outsourcing.

Huawei is a leading global information and communications technology (ICT) 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.

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(b) *Business relationship between the Group and Huawei Group*

Set out below is a summary of the revenues of the Group for each of the two years ended 31 December 2010 and the six months ended 30 June 2011:

	For the six months ended 30 June 2011 <i>(unaudited)</i> RMB million	For the year ended 31 December 2010 <i>(audited)</i> RMB million	2009 <i>(audited)</i> RMB million
Turnover	946	1,601	1,105
Revenue of IT outsourcing	475	683	456
Provision of IT Outsourcing service to Huawei Group by the Group	169	269	99

Source: 2009 and 2010 Annual Reports and 2011 Interim Report of the Group and information from the Management

As illustrated from the above table, the IT outsourcing business has been one of the principal business activities of the Group, which contributed approximately 41%, 43% and 50% of the total turnover of the Group for each of the two years ended 31 December 2010 and the six months ended 30 June 2011 respectively. Furthermore, the revenue derived from the provision of IT Outsourcing service to Huawei Group by the Group represented approximately 22%, 39% and 36% of the revenue attributable to the IT outsourcing business of the Group and approximately 9%, 17% and 18% of the total turnover of the Group for the respective financial years and period.

Referring to the Letter from the Board, the Group has commenced its business with Huawei Group since September 2009. We are advised by the Management that Huawei Group is currently one of the major customers of the Group in respect of its IT outsourcing business for each of the two years ended 31 December 2010 and the six months ended 30 June 2011. The transactions between the Group and Huawei Group were conducted on normal commercial terms and on an arm's length basis which formed an integral part of the ordinary and usual course of business of the Group. Based on the above information, we are of the view that the IT Outsourcing business from Huawei's purchases represented an increasing importance to the Group's overall businesses.

Based on the annual reports of Huawei Group for each of the two years ended 31 December 2010, the total cost of sales of Huawei Group were recorded at approximately RMB90,090 million and RMB107,666 million, respectively. During an interview with the representatives of Huawei Group, we are advised that the Group has been regarded by Huawei Group as an important IT outsourcing provider and business partner with high quality and outstanding performance in IT outsourcing business.

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(c) *Equity participation of Huawei in the IT Outsourcing Flagship*

With reference to the announcement of the Company dated 12 January 2012, the Group entered into the Huawei Equity Participation Agreement with Huawei whereupon the IT Outsourcing Flagship will be owned as to 60% by the Group and 40% by Huawei. In order to continue the recurring transactions on IT Outsourcing business between the Group and Huawei Group after Completion, the Company and Huawei proposed to enter into the Huawei IT Outsourcing Agreement to govern the continuing connected transactions contemplated thereunder. We are advised by the Directors that the entering into the Huawei IT Outsourcing Agreement not only allows the Group to further strengthen the business relationship with Huawei Group, but also enables the Group (inclusive of the IT Outsourcing Flagship) to have more opportunities and higher possibilities to obtain an increasing numbers of projects and/or purchase orders from Huawei Group among other Qualified Candidates.

As stated in the Letter from the Board, although the IT Outsourcing Flagship will be jointly owned by the Group and Huawei, we noted that the Group (inclusive of the IT Outsourcing Flagship) is required to participate in the tender process of Huawei in order to be recognized as one of its Qualified Candidates in the following year. We are advised by the Management that the Group is confident to be one of the Qualified Candidates to Huawei in the future, which is evidenced by the intention of the equity participation of Huawei in the IT Outsourcing Flagship and the entering into the Huawei IT Outsourcing Agreement.

As the entering into the Huawei IT Outsourcing Agreement is one of the conditions precedent of the establishment of the IT Outsourcing Flagship (being part of the IT outsourcing business restructuring process), we are of the view that the entering into the Huawei IT Outsourcing Agreement is essential to the establishment of the IT Outsourcing Flagship and the future developments of the IT Outsourcing Flagship and the Group.

In light of the above reasons and benefits of entering into the Huawei IT Outsourcing Agreement, and given that (i) the consolidation of business relationship between the Group and Huawei Group and (ii) the conditions precedent of the equity participation of Huawei in the IT Outsourcing Flagship, we consider that (i) the reasons for entering into the Huawei IT Outsourcing Agreement are justifiable and (ii) the entering into the Huawei IT Outsourcing Agreement is in the ordinary and usual course of the business of the Company and is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Huawei IT Outsourcing Agreement

(a) *Scope of services and duration of the agreement*

Pursuant to the Huawei IT Outsourcing Agreement, the Company has agreed to, provide IT Outsourcing service to Huawei Group for a term from the Effective Date up to and including 31 December 2014.

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(b) *Conditions precedent*

The Huawei IT Outsourcing Agreement will take effect upon: (i) the Parties having performed their respective internal approval procedures in respect of the Huawei IT Outsourcing Agreement; (ii) the respective legal representatives or authorised person of the Parties having duly executed the Huawei IT Outsourcing Agreement; (iii) the obtaining of the approval from the Shareholders in respect of the Huawei IT Outsourcing Agreement at a general meeting of the Company and the Board having approved the Huawei IT Outsourcing Agreement; (iv) the obtaining of the approval from the shareholders of Huawei in respect of the Huawei IT Outsourcing Agreement; and (v) the obtaining of the approval from the relevant approval authorities in respect of the Huawei IT Outsourcing Agreement, where necessary.

(c) *Terms of the agreement and service fee*

Referring to the Letter from the Board, we noted that series of contracts would have to be entered into between the Group and Huawei Group, comprising a separate project agreement or purchase order and/or other forms of agreement and a project memo, in respect of the IT Outsourcing service to be provided for each individual project. We have reviewed, on sample basis, the series of historical contracts entered into between the Group and Huawei Group for each individual project and noted that the terms and conditions were set out in detailed, including the transaction amount, payment method, project background and requirements, project milestones, quality goals, project completion date and so forth.

The service fee payable by Huawei Group to the Group 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 service; (ii) the average number of technical staff of the Group required for the completion of a project; (iii) the technical requirements 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, and based on market comparable price, being the price at which any independent third party in the relevant market provides the same or similar service to Huawei Group under Huawei's procurement and management standards with reference to industry standards or market practices for the same or similar service ("**Market Comparables**"). We have discussed with the Management and noted that the reasonable profit margins stated above were stable in general, which were arrived with reference to the average profit margins of the historical transactions between the Group and Huawei Group, the target of future profit margins internally discussed within the Group and adjustments on actual market conditions for each individual project. As per the 2009 and 2010 Annual Reports and 2011 Interim Report, we noted that the Group maintained a consistent profit margin for the segment result¹ of IT outsourcing.

¹ As referred to the Annual Reports, segment results represent the profit earned by/loss from each segment without allocation of impairment loss recognised in respect of goodwill, corporate expenses, share-based payment, (loss) gain arising from changes in fair value of redeemable convertible preferred shares and certain items of other income, gains and losses recorded at corporate level. (This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.)

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We have reviewed, on sample basis, the historical transactions of the Group in respect of the provision of IT outsourcing service and noted that, the price offered to Huawei Group was no more favourable than the price at which the Group provided with the same or similar service to independent third parties of the Group, under the demonstration of price setting by the Management. The Management further advised that such price should also be similar to the price range at which any independent third party in the relevant market provides the same or similar service to other independent third parties, which was in line with the Market Comparables. During the interview with the representatives of Huawei Group, we are advised that the prices offered by the Group to Huawei Group for the provision of IT Outsourcing service were generally in line with the Market Comparables for the historical transactions between Huawei Group and the Group. We are also advised by the Parties that the service fee for each individual project under the Huawei IT Outsourcing Agreement would be determined after taking into consideration the factors aforementioned with arm's length basis and also with reference to the historical transactions between the Group and Huawei Group.

Based on our review on the past IT Outsourcing framework agreements provided by the Group, which were entered into between (i) the Group and independent third parties (being not associated with Huawei Group); and (ii) the Group and Huawei Group, we noted that the principal terms of the Huawei IT Outsourcing Agreement are generally in line with the market practices in the past transactions between the Group and Huawei Group, and between the Group and the independent third parties. As such, we concur with the view of the Directors that the terms in the Huawei IT Outsourcing Agreement are on normal commercial terms after arm's length negotiation with Huawei Group.

In light of the above information and given the factors that, (i) the pricing will be determined based on normal commercial terms and arm's length basis; (ii) the pricing will be based on Market Comparables; and (iii) principal terms of the Huawei IT Outsourcing Agreement are generally in line with past transactions, we are of the opinion that the principal terms under the Huawei IT Outsourcing Agreement are on normal commercial terms and are fairly and reasonably determined as far as Shareholders concerned.

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3. Annual Caps

Set out below is the historical amounts and the proposed Annual Caps during the term of the Huawei IT Outsourcing Agreement for the provision of IT Outsourcing service by the Group to Huawei Group:

	For the period from the Effective Date up to and including the					
	Year ended 31 Dec 2009 <i>RMB million</i>	Year ended 31 Dec 2010 <i>RMB million</i>	Six months ended 30 June 2011 <i>RMB million</i>	year ending 31 Dec 2012 ("2012 Cap") <i>RMB million</i>	Year ending 31 Dec 2013 ("2013 Cap") <i>RMB million</i>	Year ending 31 Dec 2014 ("2014 Cap") <i>RMB million</i>
Provision of IT Outsourcing service by the Group to Huawei Group	99	269	169	816	1,488	1,800

Source: 2009 and 2010 Annual Reports and 2011 Interim Report of the Group and the Circular

As set out in the Letter from the Board, the Annual Caps were determined with reference to, among others, (i) the estimated average number of technical staff of the Group to be deployed for the provision of IT Outsourcing service to Huawei Group per annum; (ii) the average annual revenue contributed by each technical staff of the Group in respect of their provision of IT Outsourcing service to Huawei Group; and (iii) the historical transactions between the Group and Huawei Group in respect of IT Outsourcing business.

In assessing the fairness and reasonableness of the Annual Caps, we have reviewed the followings:

- (a) *The estimated average number of technical staff of the Group to be deployed for the provision of IT Outsourcing service to Huawei Group per annum*

As set out in the above table, the 2012 Cap with approximately RMB816 million will increase substantially from the annual sales for the year ended 31 December 2010 at approximately RMB269 million. The 2013 Cap and 2014 Cap will reach a growth of approximately 82% and 21% respectively, as compared to the proposed Annual Caps for the respective previous financial years. We are advised by the Management that the growth of the proposed Annual Caps is mainly due to the growth on the estimated average number of technical staff of the Group to be deployed for the provision of IT Outsourcing service to Huawei Group per annum for each of the three years ending 31 December 2014, which were determined by 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 requirements of the projects and the time of delivery of the projects.

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In order to address our opinion on the reasonableness on the estimated average number of technical staff of the Group to be deployed for the provision of IT Outsourcing service to Huawei Group per annum, we have considered the following factors,

(i) Synergy effect from the equity participation of Huawei in the IT Outsourcing Flagship

We are advised by the Group that the equity participation of Huawei in the IT Outsourcing Flagship will provide a synergy to the business operations and future development of the IT Outsourcing Flagship and the Group, such as (i) expanding service scale and scope of the IT Outsourcing Flagship to become a core IT outsourcing service provider of Huawei; (ii) developing the IT outsourcing business of the IT Outsourcing Flagship worldwide within the telecommunication industry; and (iii) expanding the software outsourcing business of the IT Outsourcing Flagship worldwide for all the industries. Such synergy effect will be leveraged on the utilization of the competitive strengths of the Group and Huawei Group, which are (i) proven successful track records in software outsourcing business of the Group; (ii) experienced management and research and development expertise of the Group; (iii) the mature quality management and human resources management practice of Huawei Group; and (iv) leading position in global information and communication technology industry of Huawei Group.

(ii) Future plans of the IT Outsourcing Flagship

In accordance with the future plans outlined by the Group and Huawei Group for the IT Outsourcing Flagship, we noted that there are three development stages, being, (i) to launch and stabilize IT outsourcing service as its core business in 2012; (ii) to expand local service scope and scale and to increase global sales with a focus on Huawei's world class client base in 2013; and (iii) to enhance market share on worldwide IT outsourcing business in 2014 and 2015. We are also advised by the Management that the estimated average number of technical staff of the Group for the provision of IT Outsourcing service to Huawei Group per annum are to be deployed to meet the increasing demand in IT Outsourcing projects of Huawei Group, being in line with such three development stages. The IT Outsourcing Flagship has been positioned by the Parties to become a leading software outsourcing company in the PRC market and a major player in the global market in five years with the best endeavors and cooperation by the Group and Huawei Group. In view of the future plans and visions made by the Group and Huawei Group aforementioned, the Management believes that the Group (inclusive of the IT Outsourcing Flagship) is expected to experience substantial increase in IT Outsourcing projects provided by Huawei Group after the successful establishment of the IT Outsourcing Flagship.

(iii) The sustained and steady growth of Huawei's businesses

As referred to the annual reports of Huawei Group for the past five years from 2006 to 2010, we noted that its total revenue grew from approximately RMB66,365 million to approximately RMB185,176 million with a CAGR of around 29%, while its operating profit increased from approximately RMB4,846 million to approximately RMB29,271 million with a CAGR of around 57%. In the interview with representatives from Huawei Group, we

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are advised that Huawei Group is expected to experience sustained and steady growth for its businesses in the next three to five years, being benefit from the increasing demand on ICT worldwide due to the integration of ICT into businesses and people's lives. Under such future prospect, it would lead to an increasing demand for IT outsourcing business of Huawei Group, which eventually will increase the IT Outsourcing service provided by the Group (inclusive of the IT Outsourcing Flagship) under the Huawei IT Outsourcing Agreement.

In the review of the past IT outsourcing transactions (between the Group and Huawei Group, and between the Group and independent third parties), we noted that the technical requirements and the time of delivery vary from each IT outsourcing project. We are advised by the Management that, besides the expected future increase in IT Outsourcing projects of Huawei, the estimation on the average number of technical staff to be deployed by the Group for the provision of IT Outsourcing service to Huawei Group per annum has also been taken into account the Group's past accumulated experience on project management regarding the technical requirement and time of delivery for IT Outsourcing projects to Huawei Group.

Based on the aforesaid information and given that (i) synergy effect from the equity participation of Huawei in the IT Outsourcing Flagship; (ii) future plans of the IT Outsourcing Flagship in the coming five years designed by the Group and Huawei Group; (iii) the sustained and steady growth of Huawei's businesses, we agree with the Group's understanding of the overall software outsourcing business plan of Huawei, which will lead to the increase in IT Outsourcing projects from Huawei Group to the Group (inclusive of the IT Outsourcing Flagship). Furthermore, we consider that the factors, including the expected future increase in IT Outsourcing projects of Huawei, the technical requirements of the projects and the time of delivery of the projects, were determined by the Management after fair and reasonable consideration and such factors can be used to justify the basis and growth of the estimated average number of technical staff of the Group deployed for the provision of IT Outsourcing service to Huawei Group per annum. Hence, the estimated average number of technical staff of the Group to be deployed for the provision of IT Outsourcing service to Huawei Group per annum, being one of the basis of the Annual Caps, has been determined on a fair and reasonable basis.

(b) The average annual revenue contributed by each technical staff of the Group

In the projection as to the provision of IT Outsourcing service by the Group to Huawei Group, we are advised that the Management have made reference to the historical average annual revenue contributed by each technical staff of the Group in respect of their provision of IT Outsourcing service to Huawei Group and assumed to be consistent for the three years ending 31 December 2014.

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We are also advised that the average annual revenue contributed by each technical staff of the Group in respect of their provision of IT Outsourcing service to Huawei Group was arrived at after taking into consideration various factors, including (i) the revenue from the provision of IT Outsourcing service by the Group to Huawei Group; (ii) the number of technical staff of the Group required for such service to Huawei Group; (iii) their respective chargeable rate of each technical staff of the Group; (iv) the number of hours spent on different projects and the time of delivery for IT Outsourcing projects of Huawei Group etc. based on the past experience the Group gained from the provision of IT Outsourcing service to Huawei Group. Given the historical average annual revenue contributed by each technical staff of the Group for the preceding two years ended 31 December 2011, we noted that the estimation of average annual revenue contributed by each technical staff was in line with the historical ones on the transactions between the Group and Huawei Group.

Having considered the above information, we are of the view that the average annual revenue contributed by each technical staff of the Group in respect of their provision of IT Outsourcing service to Huawei Group, being one of basis for the Annual Caps, is fair and reasonable as far as the Shareholders are concerned.

(c) Projection method on the proposed Annual Caps

As advised by the Management, it is a common market practice within the Group and in the software outsourcing service industry to project the future revenue with references to the estimated average number of technical staff to be deployed for the provision of service in the coming year(s) and the average annual revenue contributed by each technical staff in respect of such service based on the historical transactions, for the purpose of preparing the forthcoming internal budgets and resource allocation plan.

We have reviewed the sales projections prepared by the Management for other IT outsourcing business clients of the Company and noticed that the Group adopted the same projection method on such clients as well as on Huawei Group under the Huawei IT Outsourcing Agreement. As further advised by the Group, we have also reviewed the annual reports of Infosys Limited, being one of the worldwide leading IT outsourcing providers, for the past four financial years ended 31 March 2011. Infosys Limited maintained stable average annual revenue contributed by each technical staff, while the growth of its total revenue positively correlated with the growth of the total number of technical staff for the aforesaid four fiscal years, reflecting a similar pattern as the IT outsourcing business of the Group. In this regard, we concur with the view of the Management that the projection method adopted by the Group could be a common market practice in the software outsourcing service industry, which suggested that the growth in total revenue is in line with the growth in total number of technical staff, while the average annual revenue contributed by each technical staff remains stable in general.

We have also been advised that the Management has made slightly adjustments on the sales forecast using the projection method aforementioned to prepare the Annual Caps under the Huawei IT Outsourcing Agreement. The adjustments were based on the historical variations of past projections and actual sales results of the historical transactions between the Group and

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Huawei Group, which were steady in general based on our review. Accordingly, we consider that it is reasonable to take into account the historical variations above mentioned in determining the Annual Caps and the adjustments were made by the Management after due care and justifiable consideration.

We are informed by the Directors that the Company will strictly re-comply with Rules 14A.35 (3) and (4) in the circumstances, that (i) if the Annual Caps are exceeded; or (ii) when the Huawei IT Outsourcing Agreement is renewed or there is a material change to the terms thereunder. In such regard and the factors addressed above, we are of the view that the Annual Caps are fair and reasonable as far as the Shareholders are concerned and proper measures have been put in place, as required under the Listing Rules mentioned above, to monitor the transactions contemplated under the Huawei IT Outsourcing Agreement in order to protect the interests of the Company and the Shareholders.

4. Listing Rule's Implications

The Huawei IT Outsourcing Agreement and any continuing connected transactions contemplated thereunder are subject to the following annual review requirements of Rules 14A.37 to 14A.41 of the Listing Rules:

- (a) *Each year the independent non-executive Directors must review the transactions contemplated under the Huawei IT Outsourcing Agreement (the “Transactions”) and confirm in the annual report and accounts that the Transactions have been entered into:*
- (1) in the ordinary and usual course of business of the Company;
 - (2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
 - (3) in accordance with the Huawei IT Outsourcing Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (b) *Each year the auditors must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report), confirming that the Transactions:*
- (1) have received the approval of the Board;
 - (2) are in accordance with the pricing policies of the Company if the Transactions involve provision of goods or services by the Company;
 - (3) have been entered into in accordance with the Huawei IT Outsourcing Agreement governing the Transactions; and
 - (4) have not exceeded the relevant proposed Annual Caps.

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- (c) *The Company shall allow, and shall procure that Huawei Group shall allow, the auditors sufficient access to their records for the purpose of reporting on the Transactions as set out in the Listing Rules. The Board must state in the annual report whether its auditors have confirmed the matters stated in (b) above.*
- (d) *The Company shall promptly notify the Stock Exchange and publish an announcement in accordance with Rule 2.07C of the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or the auditors will not be able to confirm the matters set out in (a) and/or (b) above respectively. The Company may have to re-comply with Rules 14A.35 (3) and (4) of the Listing Rules and any other conditions the Stock Exchange considers appropriate.*
- (e) *Upon any variation or renewal of the Huawei IT Outsourcing Agreement, the Company must comply in full with all applicable reporting, disclosure and independent Shareholders' approval requirements of Chapter 14 of the Listing Rules in respect of all continuing connected transactions effected after such variation or renewal.*

We are of the view that adequate measures have been put in place, as required under the Listing Rules on the annual review requirements mentioned above, to govern the Company in carrying out the Huawei IT Outsourcing Agreement and the Transactions and safeguard the interest of the Shareholders thereunder.

OPINION AND RECOMMENDATION

Based on the above principal factors and reasons, we are of the opinion that the entering of the Huawei IT Outsourcing Agreement is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. We also consider the terms of the continuing connected transactions pursuant to the Huawei IT Outsourcing Agreement and the Annual Caps are on normal commercial terms and fair and reasonable as far as the Shareholders are concerned.

Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Shareholders, to vote in favor of the ordinary resolution to approve the Huawei IT Outsourcing Agreement and the Annual Caps at the EGM of the Company.

Yours faithfully,
For and on behalf of
NEW SPRING CAPITAL LIMITED
Keith Tsang
Deputy Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company in the Shares and underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) were required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

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

Name of Director	Total number of Shares as at the Latest Practicable Date	Approximate percentage of total issued ordinary share capital as at the Latest Practicable Date
Zhao John Huan	271,476,453	16.63%
Chen Yuhong	115,320,136	7.06%
Tang Zhenming	11,747,765	0.72%
Jiang Xiaohai	6,872,447	0.42%
Wang Hui	6,277,838	0.38%
Zeng Zhijie	300,000	0.02%

Options to subscribe for Shares

Name of Director	Exercise Price (HK\$)	Number of share options outstanding as at the Latest Practicable Date	Approximate percentage of the total number of Shares in issue as at the Latest Practicable Date	Number of underlying Shares interested in	Notes
Tang Zhenming	0.58	80,000	0.00%	4,180,000	(1)
	0.65	1,300,000	0.08%		(2)
	0.97	800,000	0.05%		(3)
	1.78	2,000,000	0.12%		(4)
Wang Hui	1.78	1,200,000	0.07%	1,200,000	(4)
Zeng Zhijie	1.78	450,000	0.03%	450,000	(4)

Notes:

- (1) These share options were offered on 13 August, 2003 under the share option scheme of the Company adopted on 2 June, 2003 (the "Share Option Scheme") and accepted on 27 August, 2003. The share options are exercisable for a period of 10 years from the date of offer subject to the following conditions:

Exercisable Period Commencing	Ending	Number of share options exercisable
13/08/2004	12/08/2013	25% of the total number of share options granted
13/08/2005	12/08/2013	25% of the total number of share options granted
13/08/2006	12/08/2013	25% of the total number of share options granted
13/08/2007	12/08/2013	25% of the total number of share options granted

- (2) These share options were offered on 13 May, 2004 under the Share Option Scheme and accepted on 10 June, 2004. These share options are exercisable for a period of 10 years from the date of offer, subject to the following conditions:

Exercisable Period Commencing	Ending	Number of share options exercisable
13/05/2004	12/05/2014	25% of the total number of share options granted
13/05/2005	12/05/2014	25% of the total number of share options granted
13/05/2006	12/05/2014	25% of the total number of share options granted
13/05/2007	12/05/2014	25% of the total number of share options granted

- (3) These share options were offered on 30 March, 2006 under the Share Option Scheme and accepted on 27 April, 2006. These share options are exercisable for a period of 10 years from the date of offer, subject to the following conditions:

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

- (4) These share options were offered on 10 April, 2007 under the Share Option Scheme and accepted on 8 May, 2007. These share options are exercisable for a period of 10 years from the date of offer, subject to the following conditions:

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

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, none of the Directors or chief executive of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. EXPERT AND CONSENT

The following is the qualifications of the expert who has been named in this circular or has given opinion or advice contained in this circular:

Name of expert	Qualification
New Spring Capital	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, New Spring Capital is not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

New Spring Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name and/or letter in the form and context in which they appear.

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

New Spring Capital has, or has had, no direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2010, the date to which the latest published audited financial statement of the Group was made up.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service agreements with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

5. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2010, being the date to which the latest published audited accounts of the Group were made up.

6. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Group.

8. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, the date to which the latest published audited accounts of the Company were made up.

9. DOCUMENTS FOR INSPECTION

A copy of the Huawei IT Outsourcing Agreement will be available for inspection at the Company's office in Hong Kong at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen's Road Central, Hong Kong during normal business hours on any weekday (except public holidays) for a period of 14 days from the date hereof.

NOTICE OF EGM



中软国际

CHINASOFT INTERNATIONAL LIMITED

中軟國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 354)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of CHINASOFT INTERNATIONAL LIMITED (the “**Company**”) will be held at 4:00 p.m., on Monday, 12 March 2012 at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen’s Road Central, Hong Kong for the following purposes of considering and, if thought fit, passing with or without modification the following resolution:

ORDINARY RESOLUTION

“**THAT**

- (a) the IT outsourcing agreement (the “**Huawei IT Outsourcing Agreement**”) dated 30 January 2012 and entered into between (i) the Company as the service provider and (ii) 華為技術有限公司 (Huawei Technology Company Limited*) as customer in relation to provision of IT outsourcing service (copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) and all the transactions contemplated thereby; and
- (b) the Annual Caps (as defined in the circular (“**Circular**”) of the Company dated 17 February 2012) for the transactions contemplated under the Huawei IT Outsourcing Agreement for the period from the Effective Date (as defined in the Circular) up to and including 31 December 2014 as shown in the Circular,

be and they are hereby approved and that the Directors (or a duly authorized committee thereof) be and they are hereby authorised to take any step as they consider necessary, desirable or expedient in connection with the Huawei IT Outsourcing Agreement or the transactions contemplated thereby.”

Yours faithfully,

For and on behalf of

Chinasoft International Limited

Dr. Chen Yuhong

Chairman and Chief Executive Officer

17 February 2012

* *For identification purpose only*

NOTICE OF EGM

Registered office:

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

Principal place of business in Hong Kong:

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

Notes:

- (1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and to vote instead of him. A proxy need not be a member of the Company.
- (2) Where there are joint holders of any share(s), any one of such joint holder may vote, either in person or by proxy, in respect of such share(s) as if he were solely entitled thereto, but if more than one of such joint holders is present at any meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
- (3) A form of proxy for use at the meeting is enclosed.
- (4) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or the principal place of business of the Company in Hong Kong at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen's Road Central, Hong Kong, not less than 48 hours before the time scheduled for holding the meeting (or adjourned meeting thereof). Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or any adjournment if the members so desire.
- (5) The register of members of the Company will be closed from 8 March 2012 to 12 March 2012, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending the meeting (or any adjournment thereof), all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 7 March 2012.