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中软国际

CHINASOFT INTERNATIONAL LIMITED

中軟國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 354)

(i) VERY SUBSTANTIAL DISPOSAL AND VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE PROPOSED DISPOSAL OF 100% EQUITY INTERESTS IN SHANGHAI HUATENG SOFTWARE SYSTEMS CO., LTD. AND CHINASOFT INTERNATIONAL TECHNOLOGY SERVICES LIMITED IN EXCHANGE FOR AND THE PROPOSED ACQUISITION OF SHARES IN BUT'ONE INFORMATION CORPORATION, XI'AN

AND

(ii) PROPOSED SPIN-OFF OF SHANGHAI HUATENG SOFTWARE SYSTEMS CO., LTD. AND CHINASOFT INTERNATIONAL TECHNOLOGY SERVICES LIMITED

INTRODUCTION

On 2 August 2016 (after trading hours), CSI China, an indirect wholly-owned subsidiary of the Company, entered into the Asset Purchase and Share Issue Agreement with But'one, pursuant to which CSI China has agreed to sell and But'one has agreed to acquire the Target Entities. On the same date, the Parties also entered into the Profit Compensation Agreement in connection with the Asset Purchase and Share Issue Agreement.

ASSET PURCHASE AND SHARE ISSUE AGREEMENT

Pursuant to the Asset Purchase and Share Issue Agreement, CSI China has agreed to sell and But'one has agreed to purchase the 100% equity interests in each of the Target Entities comprising (i) Shanghai Huateng; and (ii) CSI Technology Services (inclusive of Integrated Entities to be transferred under the Asset Integration) at the preliminary Consideration of RMB6,331 million (equivalent to approximately HK\$7,471 million). The Consideration will be satisfied by But'one by the issue of Consideration Shares at an Issue Price per Consideration Share of RMB39.07 within six months from the date when the Asset Purchase and Share Issue Agreement becomes effective.

The final Consideration will be determined upon further negotiations between Parties pending the final Appraised Value to be prepared by a professional valuer engaged by But'one.

The Company will make further announcement(s) in respect of the final Appraised Value and the final value of the Consideration.

PROFIT COMPENSATION AGREEMENT

Pursuant to the Profit Compensation Agreement, CSI China has undertaken to But'one that the Actual Net Profits of the Target Entities during the Profit Compensation Period shall not be lower than the Committed Net Profits, failing which CSI China will compensate to But'one.

Subject to the approval at general meeting of But'one, any Net Profit Difference shall be settled by the repurchase of the Compensation Shares by But'one at a total price of RMB1 for cancellation thereafter.

Subject to the supplemental agreement to be signed by the Parties after the issuance of the Valuation Report, the Committed Net Profits undertaken by CSI China for each of the three financial years ending 31 December 2016, 2017 and 2018 shall be RMB400 million, RMB560 million and RMB756 million, respectively.

The Company will make further announcement in respect of the final Committed Net Profits upon entering into the supplemental agreement.

THE PROPOSED SPIN-OFF

The effective listing of the TPG Business on the SSE resulting from the But'one TPG Merger constitutes a spin-off pursuant to the applicable requirements under PN 15. The Company will submit a spin-off proposal to the Stock Exchange pursuant to PN 15 in relation to the proposed Spin-off.

Upon Completion, it is currently expected that (i) the Target Entities will become direct wholly-owned subsidiaries of But'one; and (ii) CSI China will become controlling shareholder of But'one, holding approximately 72.18% of paid up share capital in the But'one as enlarged by the allotment and issue of the Consideration Shares. Accordingly, But'one will become an indirect non-wholly-owned subsidiary of the Company focusing on the TPG Business (together with its existing business which is also part of the TPG Business)

LISTING RULES IMPLICATIONS

The relevant applicable percentage ratios in respect of the proposed disposal of the Target Entities exceed 75% and the relevant percentage ratios in respect of the acquisition of the A Shares are more than 100%. As a result, the But'one TPG Merger constitutes a very substantial disposal and a very substantial acquisition for the Company and therefore subject to announcement, circular and Shareholders' approval by way of poll requirements under the Listing Rules. In addition, the effective listing of the TPG Business contemplated under the Agreements also constitute a spin-off pursuant to the applicable requirements under PN 15. The proposed Spin-off is therefore also subject to, among other things, the approval of the Shareholders under paragraph 3(e)(1) of PN 15.

GENERAL

The EGM will be convened for the Shareholders to consider and, if thought fit, to approve the Agreements and the transactions contemplated thereunder. All of the Shareholders shall be entitled to vote on the resolutions to be proposed at the general meeting. The relevant resolutions to be proposed at the general meeting will be voted by poll in compliance with the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Zeng Zhijie, Dr. Leung Wing Yin Patrick and Dr. Lai Guanrong, will be established to consider, and advise the Shareholders as to whether the terms of the Agreements are fair and reasonable, on normal commercial terms or better, in the interests of the Company and the Shareholders as a whole and how to vote on the resolution(s) regarding the proposed Spin-off at the EGM. The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Shareholders in this regard.

It is expected that a circular containing, among others, (i) the details of the proposed Spin-off, (ii) the letter of advice from the Independent Board Committee to the Shareholders in respect of the proposed A-Share TPG Merger, (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Shareholders in respect of the proposed But'one TPG Merger, and (iv) the notice convening the EGM will be dispatched to the Shareholders on or before 23 August 2016.

The But'one TPG Merger and the transactions contemplated thereunder and the proposed Spin-off are subject to, among other things, approvals of the Stock Exchange pursuant to PN15 and relevant PRC regulatory authorities and the shareholders of But'one. Accordingly, Shareholders and potential investors of the Company should note that the But'one TPG Merger and the transactions contemplated thereunder and the proposed Spin-off may or may not materialize. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

INTRODUCTION

On 2 August 2016 (after trading hours), CSI China, an indirect wholly-owned subsidiary of the Company, entered into the Asset Purchase and Share Issue Agreement with But'one, pursuant to which CSI China has agreed to sell and But'one has agreed to acquire the Target Entities. On the same date, the Parties also entered into the Profit Compensation Agreement in connection with the Asset Purchase and Share Issue Agreement.

THE AGREEMENTS

(A) Asset Purchase and Share Issue Agreement

A summary of the principal terms of the Asset Purchase and Share Issue Agreement is set out below:

Date of signing 2 August 2016

Parties

- a. But'one, as the purchaser; and
- b. CSI China, as the vendor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, But'one and its ultimate beneficial owners as at the date of this announcement are third parties independent of the Company and connected persons of the Company.

Subject Matter Subject to the terms and conditions of the Asset Purchase and Share Issue Agreement:

CSI China has agreed to sell and But'one has agreed to purchase the 100% equity interests in each of the Target Entities comprising:

- (1) Shanghai Huateng;
- (2) CSI Technology Services (inclusive of Integrated Entities to be transferred under the Asset Integration)

Consideration

Based on the preliminary Appraised Value of RMB6,331 million (equivalent to approximately HK\$7,471 million), the preliminary Consideration shall equal to RMB6,331million (equivalent to approximately HK\$7,471 million).

The Consideration shall be determined further after negotiations between the Parties based on the Appraised Value as at the Valuation Date.

The Company will make further announcement(s) in respect of the final Appraised Value and the final value of the Consideration.

Consideration Shares

But'one shall issue the Consideration Shares to CSI China to satisfy the Consideration at an Issue Price per Consideration Share of RMB39.07 within six months after the Asset Purchase and Share Issue Agreement becomes effective.

The Issue Price per Consideration Share represents not more than 10% discount of a volume weight average price per A share of But'one quoted on the SSE for the past 120 trading days immediately preceding the Pricing Date.

The Issue Price per Consideration Share and amount of the Consideration Shares to be issued by But'one to CSI China will be adjusted for bonus issue, dividend and capitalization by But'one according to relevant regulations of the SSE between the Pricing Date and the issuance date of the Consideration Shares.

The total number of the Consideration Shares to be issued by But'one to CSI China shall be calculated as follows:

$$\frac{\text{Consideration}}{\text{Issue Price}}$$

Any decimal place resulted from the calculation of the total number of Consideration Shares to be issued pursuant the above formula, the figure shall be rounded off by dropping the decimal place.

Based on the preliminary Consideration of approximately RMB6,331 million and the Issue Price per Consideration Share of RMB39.07, But'one will issue 162,042,487 Consideration Shares to CSI China to satisfy the Consideration.

Lock-up Period

The Consideration Shares to be issued to CSI China shall not be transferred for a period of 36 months commencing from the date on which the Consideration Shares are issued (the “**Lock-up Period**”).

Upon expiry of the Lock-up Period, the Consideration Shares shall be permitted to be traded on the SSE in accordance to the regulations of CSRC and SSE.

Undistributed profits

Any undistributed profits of the Target Entities as at the Valuation Date will be attributable to But'one.

Target Entities shall not distribute any cash dividend to its respective shareholders from the Valuation Date up to the Completion Date.

Profit and Loss of Target Entities during the Transitional Period

On the Completion Date, But'one shall engage an audit firm with securities and future practicing qualification to perform a special audit in respect of the profit and loss of Target Entities during the Transitional Period.

But'one shall be entitled to the profit of the Target Entities during the Transitional Period, whereas CSI China shall compensate But'one the loss of Target Entities during the Transitional Period by cash within 10 days after the issue of the special audit report.

**Arrangement during the
Transitional Period**

CSI China warrants that during the Transitional Period:

- (1) CSI China has the legal ownership to and the rights of transfer to the Target Entities, and the Target Entities are not subject to any mortgage, pledge etc that would limit or restrict the rights on the Target Entities. If the limitations or restrictions aforementioned were caused by normal business operations, those limitations or restrictions must be released before the Completion Date;
- (2) CSI China, as the controlling shareholder of the Target Entities, will exercise its shareholder's right in the capacity of controlling shareholder in accordance with the articles of association of the Target Entities, and to operate the business of the Target Entities in a normal manner to the greatest extent, guarantee the Target Entities in a good operating state, maintain the existing structure of the Target Entities and relationship with customers, in order to ensure Target Entities' operations will not be materially impacted after the Completion;
- (3) do not carry out any unusual transactions outside the normal business operation or actions which lead to unusual indebtedness;
- (4) there is no material adverse change to the Target Entities, not carry out any activities which is unfavorable to the Completion and promptly notify But'one in writing any events, facts, changes in circumstances or other conditions that would or may lead to material adverse change to the Target Entities; and
- (5) But'one warrants to proactively cooperate with CSI China to complete any work related to the Completion.

Asset Integration

Prior to But'one dispatches of the notice of general meeting to its shareholders for considering the Asset Purchase and Share Issue Agreement and the transactions contemplated thereunder, CSI China shall perform the followings in respect of the Integrated Entities:

- transfer the entire equity interest of each of the Integrated Entities to CSI Technology Services or its subsidiary, Chinasoft Resource (International) Limited, and that CSI Technology Services or its subsidiary, Chinasoft Resource (International) Limited, shall own, control and operate all Integrated Entities;
- provide CSI Technology Services or its subsidiary, Chinasoft Resource (International) Limited, with (i) the business contracts/agreements, business records, financial and accounting records, operational records, manuals, maintenance manuals, training manuals, and all other relevant information of Integrated Entities; and (ii) grant, permit, license, qualification, certificate and power of attorney etc granted by the competent authorities that are necessary for the normal operation of the Integrated Entities.

CSI China agreed that it shall release the encumbrances and other restrictions related to the rights and contingent liabilities and other circumstances of the Integrated Entities so as to ensure that the Integrated Entities can be transferred to CSI Technology Services or its subsidiary, Chinasoft Resource (International) Limited.

Profit undertaking and compensation

CSI China undertakes to But'one that

- (i) during the Profit Compensation Period, But'one shall engage an accounting firm recognized by CSI China having the securities and future practicing qualification, to determine whether any profit compensation should be made by CSI China to But'one by way of an audit, in accordance with the terms of the Profit Compensation Agreement; and
- (ii) Within 3 months after the Profit Compensation Period, But'one shall engage an accounting firm recognized by CSI China having the securities and future practicing qualification to determine whether any impairment compensation should be made by CSI China to But'one by way of an asset impairment test, in accordance with the terms of the Profit Compensation Agreement.

Effective date

The Asset Purchase and Share Issue Agreement shall become effective upon fulfillment of the following conditions:

- a. the board meeting and the general meeting of the shareholders of the But'one having approved the But'one TPG Merger;
- b. CSI China having obtained the necessary internal and external approval or authorization in relation to, and the Board, the shareholders of Company (being the parent company of CSI China) at the EGM having approved the But'one TPG Merger;
- c. the SASAC of Xi'an City and SASAC of Shaanxi Province having approved the But'one TPG Merger;
- d. the general offer obligations on the part of CSI China to increase its shareholding of But'one having been waived at the general meeting of But'one;

- e. the Company having obtained approval from the Stock Exchange to proceed with the proposed Spin-off, as well as consents to the waiver application in relation to strict compliance with assured entitlement under PN15;
- f. CSRC having approved the But'one TPG Merger

The necessary internal approval or authorization from CSI China as mentioned in condition (b) above refers the approval from the executive director and shareholders of CSI China, whereas the necessary external approval or authorization from CSI China refers the approval from the board of directors and shareholders of each of the holding companies of CSI China (including the Company).

If any of the above conditions are not fulfilled within 24 months from the date of signing of the Asset Purchase and Share Issue Agreement, the Parties may mutually agree to terminate the Asset Purchase and Share Issue Agreement.

As at the date of this announcement, save for the board meetings of the But'one and the Board having approved the But'one TPG Merger, as well as the internal approval from the executive director of CSI China having been obtained as set out in (a) and (b) above respectively, none of the above conditions have been fulfilled.

Completion

Within one month after the Asset Purchase and Share Issue Agreement becomes effective, CSI China shall transfer the entire equity interest of each of the Target Entities to But'one, and perform the AIC Equity Transfer Formalities and any other necessary procedures that enable the equity interest of each of Target Entities to be registered under the name of the But'one.

The Parties will sign a confirmation statement regarding the Completion ("**Completion Confirmation Statement**"). Should the assets actually transferred from CSI China to the But'one is different from content of the Valuation Report, the Parties shall set out such difference in the Completion Confirmation Statement and acknowledged agreement to it by having Parties signing on it.

The Completion Date shall take place on the date of signing the Completion Confirmation Statement by the Parties.

Upon Completion, entitlement to the rights and benefit, any obligations and liabilities of each of Target Entities will be transferred to But'one.

The 162,042,487 Consideration Shares to be issued represent approximately 259.44% of the issued share capital of But'one as at the date of this announcement and approximately 72.18% of the issued share capital of But'one as enlarged by the issuance of the Consideration Shares assuming no further A Shares of But'one (other than the Consideration Shares) will be issued and/or no A Shares of But'one will be repurchased from the date of this announcement up to the date of issue of the Consideration Shares. Following the Completion, But'one will become an indirect non wholly-owned subsidiary of the Company.

(B) Profit Compensation Agreement

A summary of the principal terms of the Profit Compensation Agreement is set out below:

Date of signing	2 August 2016
Parties	a. But'one; and b. CSI China

Subject matter

CSI China has undertaken to But'one that the Actual Net Profits during the Profit Compensation Period shall not be lower than the Committed Net Profits, failing which CSI China will compensate to But'one.

Subject to the approval at general meeting of But'one, any Net Profit Difference shall be settled by the repurchase of the Compensation Shares by But'one at a total price of RMB1 for cancellation thereafter.

Committed Net Profits and Actual Net Profits

Subject to the supplemental agreement to be signed by the Parties after the issuance of the Valuation Report, the Committed Net Profits undertaken by CSI China for each of the three financial years ending 31 December 2016, 2017 and 2018, shall be RMB400 million, RMB560 million and RMB756 million, respectively.

If the Completion Date does not take place before 31 December 2016, the Committed Net Profits for the financial year ending 31 December 2019 shall base on the Valuation Report, subject to the aforesaid supplemental agreement.

The Actual Net Profits will be determined by a special audit to be performed by an audit firm with securities and futures practicing qualification appointed by But'one at the end of each financial year during the Profit Compensation Period.

Net Profits Difference between the Actual Net Profits and Committed Net Profits shall be calculated accordingly.

The Company will make further announcement in respect of the final Committed Net Profits upon entering into the supplemental agreement.

Compensation method

Notwithstanding the above, the aggregate number of the Compensation Shares to be compensated by CSI China under the Profit Compensation Agreement shall not exceed the number of the Consideration Shares issued.

Annual compensation

If the Actual Net Profit for the first financial year during the Profit Compensation Period does not meet the Committed Net Profit for the relevant year, and/or the aggregate amount of the Actual Net Profits for the second and third financial years during the Profit Compensation Period does not meet the aggregate amount of the Committed Net Profits for the corresponding years, CSI China shall compensate But'one by the repurchase of the Compensation Shares by But'one at a total price of RMB1 for cancellation thereafter.

- (1) The amount of Compensation Shares to be compensated each year/period will be calculated in accordance with the formula as set out below (the “**Calculation Formula I**”):

$$\frac{(A - B)}{C} \times D - E$$

where:

- A = accumulated Committed Net Profits for the relevant year/period
B = accumulated Actual Net Profits for the relevant year/period
C = Total amount of the Committed Net Profits during the Profit Compensation Period
D = number of Consideration Shares issued
E = number of Compensation Shares already compensated by CSI China

Should the number of Compensation Shares so calculated is less than zero (0), take zero as the compensation value, which means the Compensation Shares being compensated will not be returned to CSI China in any case.

If the number of A Shares held by CSI China changes as a result of distribution by But’one by way of capitalization issue or bonus issue, the Parties agree that the number of Compensation Shares to be compensated by CSI China shall be adjusted as follows:

= amount of Compensation Shares from Calculation Formula 1

x (1+ ratio of capitalization issue or bonus issue)

- (2) If But'one distributes any dividend during the Profit Compensation Period, the cash dividend income obtained by CSI China attributable to the number of Compensation Shares for the relevant year when the compensation is made shall be subsequently refunded to But'one together with the number of Compensation Shares for the respective year, and the refunded cash dividend amount for the relevant year should be calculated in accordance with the formula set out below:

$$= \text{Cash dividend per A Share} \times \text{Number of Compensation Shares to be compensated for the relevant year}$$

During the Profit Compensation Period, if an audit firm with securities and future practicing qualification issues a special audit report which states that compensation is required, within 10 trading days after the issue of such audit report, the board of directors of But'one shall calculate the number of Compensation Shares to be repurchased, and propose at the general meeting of But'one the repurchase of the Compensation Shares from CSI China at a total price of RMB1 for cancellation thereafter, and at the same time authorizing the board of directors of But'one to handle the procedures in relation to the repurchase and cancellation of the Compensation Shares.

Impairment compensation

Upon expiry of the Profit Compensation Period, But'one shall engage an audit firm with securities and futures practicing qualifications to carry out impairment test on the Target Entities. If the impairment amount of the Target Entities as at the end of the Profit Compensation Period is larger than the product of total number of Compensation Shares already compensated under the Profit Compensation Agreement and the Issue Price as set out under the Asset Purchase and Share Issue Agreement, compensation will be made by CSI China to the But'one by way of Compensation Shares to be repurchased by the But'one at a total price of RMB1 for cancellation thereafter.

The number of Compensation Shares due to impairment will be calculated in accordance with the formula as set out below (“**Calculation formula II**”):

$$\frac{A}{B} - C$$

where:

A = impairment amount

B = Issue Price

C = number of Compensation Shares already compensated

The impairment amount set out above refers to the valuation of the Target Entities after adjustment for any impact due to capital increase, capital reduction, gift, profit, profit distribution from CSI China. The total number of Compensation Shares already compensated for each year during the Profit Compensation Period shall also be adjusted based on any ex-dividend, ex-right events accordingly.

The valuation of the Target Entities as set out in the above paragraph refers to the net asset value thereof, whereas gift as set out in the above paragraph refers to gift received from CSI China of any form (including but not limited to cash, fixed assets and intangible assets), and that capital increase, capital reduction, gift, profit distribution from CSI China as mentioned above is made in accordance with 上市公司監管法律法規常見問題與解答修訂滙編 (Listed Company Supervision laws revised compilation of Frequently Asked Questions).

- (3) If the number of A shares held by CSI China changes as a result of distribution by But'one by way of capitalization issue or bonus issue during the Profit Compensation Period, the number of Compensation Shares to be compensated by CSI China shall be adjusted accordingly, and the number of adjusted Compensation Shares of the relevant year shall be calculated in accordance with the formula set out below:

$$= \textit{amount of Compensation Shares determined in accordance with Calculation Formula II} \times (1 + \textit{ratio of capitalization issue or bonus issue})$$

Upon expiration of the Profit Compensation Period, if an audit firm with securities and future practicing qualification issues a special audit report which states that compensation is required, within 10 trading days after the issue of such audit report, the board of directors of But'one shall calculate the number of Compensation Shares to be repurchased, and propose at the general meeting of But'one the repurchase of the Compensation Shares from CSI China at a total price of RMB1 for cancellation thereafter, and at the same time authorizing the board of directors of But'one to handle the procedures in relation to the repurchase and cancellation of the Compensation Shares.

Conditions precedent

The Profit Compensation Agreement will become effective upon fulfillment of the following conditions:

- (1) the board meeting of the But'one and the general meeting of the shareholders of the But'one having approved the transaction contemplated under Profit Compensation Agreement, and But'one agrees to sign the Profit Compensation Agreement;
- (2) CSI China having obtained the necessary internal and external approval or authorization in relation to, and the Board, the shareholders of Company (being the parent company of CSI China) at the EGM having approved the transaction contemplated under Profit Compensation Agreement, and CSI China agrees to sign the Profit Compensation Agreement;

- (3) the SASAC of Xi'an City and the SASAC of Shaanxi Province having approved the But'one TPG Merger;
- (4) the Company having obtained approval from the Stock Exchange to proceed with the proposed Spin-Off, as well as consents to the waiver application in relation to strict compliance with assured entitlement under PN15; and
- (5) CSRC having approved the But'one TPG Merger.

The necessary internal approval or authorization from CSI China as mentioned in condition (2) above refers the approval from the executive director and shareholders of CSI China, whereas the necessary external approval or authorization from CSI China refers the approval from the board of directors and shareholders of each of the holding companies of CSI China (including the Company).

The subject matter under Profit Compensation Agreement will be implemented only when the Completion takes place. Should the Asset Purchase and Share Issue Agreement being terminated, the Profit Compensation Agreement will be terminated simultaneously.

BASIS OF DETERMINING THE CONSIDERATION AND THE COMMITTED NET PROFIT

The preliminary Consideration was determined after arm's length negotiation between the Parties with reference to the following principal factors:

- the potential business synergies and benefits that may bring about by the But'one TPG Merger and proposed Spin-off;
- the implied price-earnings multiple of the Target Entities based on the preliminary Consideration relative to the price-earnings multiples of the Company;
- the discount to the Issue Price per Consideration Share to recent trading prices of A Shares;
- the mechanism of the compensation arrangements under the Profit Compensation Agreement;

- the prevailing price-earnings multiples of A Shares; and
- recent similar transactions in the PRC stock market

The final Consideration will be determined upon further negotiations between Parties pending the final Appraised Value to be prepared by a professional valuer engaged by But'one.

The Company will apply for a waiver from strict compliance with the profit forecast requirements pursuant to Rule 14.62 of the Listing Rules in the Company's announcement and circular.

The Committed Net Profits for each of the three financial years ending 31 December 2016, 2017 and 2018 was determined with reference to the following factors:

- sustainability of the growth of the Target Entities;
- intelligence gathered from key Target Entities customers in respect of demand of IT services for coming years;
- enhance the capability and competitiveness of Target Entities to recruit, retain and motive senior staff;
- obtain long-term government policy support through But'one's regional business network and governmental connections;
- accelerate Target Entities' growth through merger and acquisition opportunities via PRC capital market;
- the existing IT business of But'one compliments with the Target Entities thus creates business synergies in terms of industry verticals and economies of scale; and
- the management teams of the Target Entities and IIG Business focus on their respective core business, thereby enhancing efficiency in their respective management decision-making processes and responsiveness to market changes.

BASIS OF DETERMINING THE ISSUE PRICE

The Issue Price per Consideration Share represents a 10% discount of a volume weight average price per A share of But'one quoted on the SSE for the past 120 trading days immediately preceding the Pricing Date.

The Issue Price of RMB39.07 is determined after arm’s length negotiation between the Parties, with reference to the recent closing prices of the A Shares and in compliance with the terms of the Asset Purchase and Share Issue Agreement and the relevant requirement under 上市公司重大資產重組管理辦法 (Administrative Measures for the Material Asset Reorganizations of Listed Companies).

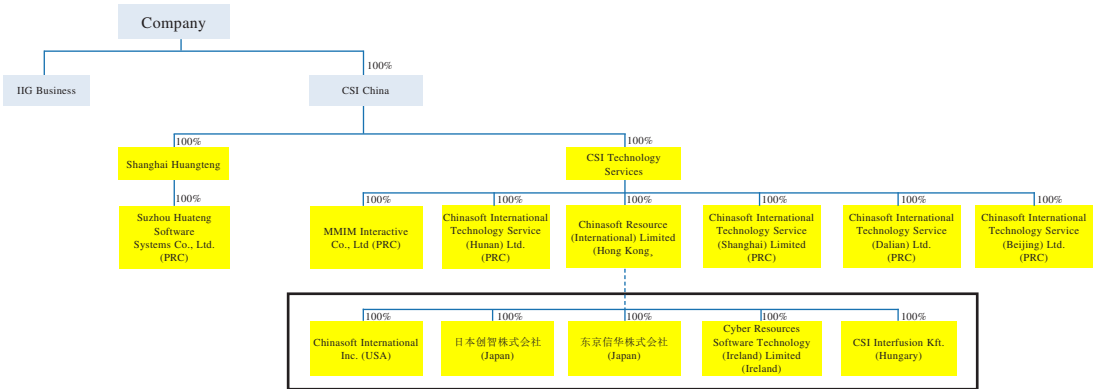
THE INTERNAL RESTRUCTURING AND ASSET INTERGRATION

To prepare for the But’one TPG Merger, the Group is undergoing an internal restructuring under which 14 wholly-owned subsidiaries of the Group which conduct the TPG Business were transferred or in the progress of transferring to be held under CSI China.

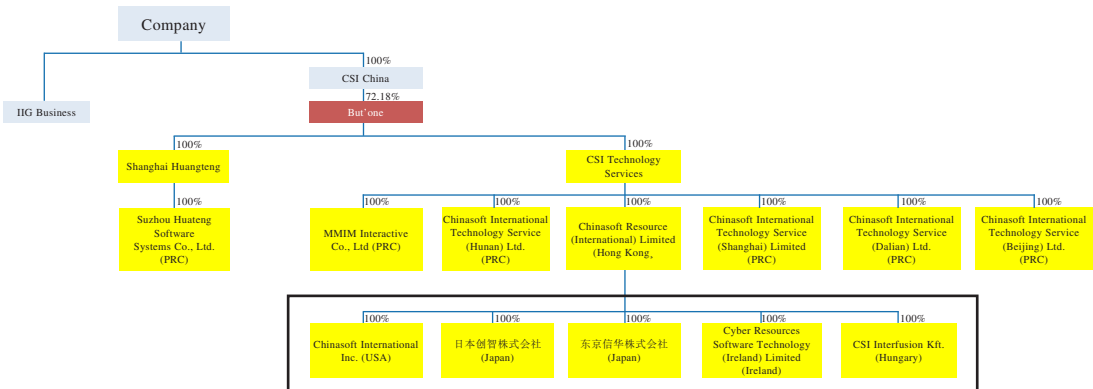
Up to the date of this announcement, save for the Assets Integration which shall be completed before the dispatch of the notice of general meeting to the shareholders of the But’one for considering the But’one TPG Merger, the internal restructuring has been completed.

The simplified group structure charts of the Company as at the date of this announcement and immediately after the Completion is set out below:

As at the date of this announcement



Immediately after the Completion



INFORMATION OF THE GROUP

The principal activities of the Group are the development and provision of information technology (“IT”) solution services, IT outsourcing services, and IT emerging services, including sale of products. Such provision of IT services are organized into (a) Technical Professional services group (“TPG”) Business and (b) Internet IT services group (“IIG”) Business:

TPG Business: This segment applies the consulting-driven business model. It provides end-to-end IT solution and services that combine consulting methodology with the information technology practices of China’s enterprises based on the Group’s independently developed software products. The TPG Business has an “off-line” characteristics which requires specific man-power commitment as well as location commitment. The customers for this operating segment are large customers such as financial institutions, telecommunication carriers and large-scale multinational companies and/or projects that demands IT service providers for their project management skill, experience and human resource capabilities; and

IIG Business: This segment applies the crowdsourcing business model. It enables the matching of demand and supply of IT solution and services through Joint Force, a crowdsourcing platform owned and managed by the Group. Joint Force was evolved from a prototype originally built by the Parent Group in 2014 serving as an internal project management system for matching and optimizing its human resources and IT project undertakings. Since June 2015, Joint Force is opened to the public and allows on one hand non-employees to be registered as programmers bidding for IT projects and on the other hand IT projects to be registered by IT services companies for tendering invitations. The services under IIG Business has an “on-line” characteristics which caters for projects that are best handled by flexible resources. The customers for this operating segment are governments and small-scaled companies that are more price sensitive and/or projects with smaller or with limited-time engagements.

The organization of the Group’s principal activities into the TPG and IIG Businesses is what the IT industry commonly referred to as Bimodal IT model and was adopted by the Group in response to the recent technology innovations in social networking, mobile devices, data analytics and cloud computing (“SMAC”). The SMAC and the crowdsourcing concept has revolutionized the IT service industry.

FINANCIAL INFORMATION OF THE TARGET ENTITIES

The TPG Business is conducted principally by the Target Entities.

The table below sets out the proforma combined unaudited net profit before and after taxation of the Target Entities:

(RMB 'million)

	For the six months ended 30 June 2016	For the year ended 31 December	
		2015	2014
Net profit before taxation	233.81	201.49	225.88
Net profit after taxation	210.86	175.00	203.31

The net asset value of the Target Entities attributable to its equity holders as at 30 June 2016 was approximately RMB1,406.44 million.

INFORMATION OF THE BUT'ONE AND ITS CONTROLLING SHAREHOLDERS

But'one is a joint stock company established in the PRC and whose shares are listed on the Shanghai Stock Exchange (stock code: 600455). The principal activities of But'one are the provision of (i) IT products and services in the PRC specializes in land and resources informatization; and (ii) higher education courses through the City College of Xian Jiao Tong University (西安交通大學城市學院).

The only substantial shareholder of the But'one is Xian Jing Fa Group, Limited (西安經發集團有限責任公司) (“**Jing Fa**”), holding approximately 20.6% of the equity interest of the A-Share Company. Jing Fa is ultimately controlled by Management Committee of the Xian Economic and Technology Development Zone (西安經濟技術開發區管理委員會). The principal activities of Jing Fa is the investment of infrastructure facilities, education, culture, and art projects, properties development and sales, renovation and decorations construction, landscaping and environmental cleaning services, sales of machinery and electronic products and the trading, agency import and export of commodities and technology products.

To the best of the knowledge, information and belief of the Directors, both the But'one and Jing Fa and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons (such term as defined under the Listing Rules).

The table below sets out the audited consolidated net profit before and after taxation of the But'one extracted from its annual report for the financial year ended 31 December 2015:

(RMB 'million)

	For the year ended 31 December	
	2015	2014
Net profit before taxation	6.18	10.18
Net profit after taxation	6.10	10.16

The audited net asset value of But'one attributable to its equity holders as at 31 December 2015 was approximately RMB91.73 million.

PROPOSED SPIN-OFF

The effective listing of the TPG Business on the SSE resulting from the But'one TPG Merger constitutes a spin-off pursuant to the applicable requirements under PN 15. The Company will submit a spin-off proposal to the Stock Exchange pursuant to PN 15 in relation to the proposed Spin-off.

Upon Completion, it is currently expected that (i) the Target Entities will become direct wholly-owned subsidiaries of But'one; and (ii) CSI China will become controlling shareholder of But'one, holding approximately 72.18% of paid up share capital in the But'one as enlarged by the allotment and issue of the Consideration Shares. Accordingly, But'one will become an indirect non-wholly-owned subsidiary of the Company focusing on the TPG Business (together with its existing business which is also part of the TPG Business).

The following table sets out the effect of the proposed Spin-off on shareholding structure of But'one, assuming that no A Shares of But'one will be issued or repurchased during the period between the date of announcement and up to and including the Completion Date:

Shareholders	As at the date of this announcement		Immediately after the Completion	
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Jing Fa	12,868,062	20.60	12,868,062	5.73
CSI China	–	–	162,042,487	72.18
Other public Shareholders	49,589,938	79.40	49,589,938	22.09
Total	62,458,000	100.00	224,500,487	100.00

The Remaining Group

After completion of the proposed Spin-off, the Remaining Group will continue to conduct the IIG Business.

Assured Entitlement

Pursuant to the requirements under PN 15, the Company is required to have due regard to the interests of its existing shareholders by providing them with an assured entitlement to shares in the But'one, either by way of a distribution in specie of existing shares in the But'one or by way of preferred application in any offering of existing or new shares in the But'one.

After due and careful consideration of the proposed Spin-off and having taken into account the requirements of the applicable PRC laws and regulations and the advice from PRC legal advisers, the Board has resolved not to provide assured entitlement to the Shareholders under the proposed Spin-off for the following reasons:

- (a) the Consideration Shares from But'one are subject to compensation arrangements under Profit Compensation Agreement;

Since the number of Consideration Shares will be available for transfer to Shareholders by way of distribution in specie upon the expiry of the Lock-up Period is uncertain until the full performance of CSI China under the Profit Compensation Agreement, it would not be feasible for the Company to determine the attributable number of Consideration Shares for assured entitlement to Shareholders.

- (b) the Consideration Shares will only be permitted to be traded on the SSE and a substantial number of Shareholders are considered as foreign investors under the relevant PRC laws.

According to the existing laws and regulations of the PRC, no foreign investors are allowed to subscribe for A shares in the PRC unless they are (i) qualified foreign institutional investors, (ii) Renminbi qualified foreign institutional investors, (iii) strategic investors that are approved by Ministry of Commerce of the PRC, or (iv) foreign natural persons with the right of permanent residence in the PRC or residents of Hong Kong, Macau and Taiwan working in Mainland China. Given that a substantial number of Shareholders do not fall within the scope of investors mentioned before, it would not be feasible for the Company to provide the assured entitlement to such Shareholders.

Given the foregoing, it is not feasible for the Company to comply with Paragraph 3(f) of PN 15 of the Listing Rules in respect of the proposed Spin-off and no assured entitlement can be provided to the existing Shareholders. The Company proposes that no assured entitlement to the Consideration Shares will be distributed to the Shareholders under the proposed Spin-off.

The Company will apply for waiver from strict compliance with the applicable requirements in relation to the assured entitlement under PN 15 and will make further announcement(s) in relation to the progress of such waiver application.

REASONS FOR AND BENEFITS OF THE BUT'ONE TPG MERGER AND PROPOSED SPIN-OFF

The Directors believe that the But'one TPG Merger and the proposed Spin-off on SSE shall bring about following benefits:

- enable the capital market to better appraise and assess the value of the TPG Business;
- provides a separate fund raising platform with more funding options in the PRC;
- enhance the capability and competitiveness of TPG Business to recruit, retain and motive senior staff;
- obtain long-term government policy support through But'one's regional business network and governmental connections;
- accelerate TPG Business's growth through merger and acquisition opportunities via PRC capital market;
- the existing IT business of But'one compliments with the TPG Business thus creates business synergies in terms of industry verticals and economies of scale; and
- help the management teams of the TPG Business and IIG Business focus on their respective core business, thereby enhancing efficiency in their respective management decision-making processes and responsiveness to market changes.

Upon completion of the proposed Spin-off, the Company will remain as the controlling shareholder of the Target Entities through its holding of approximately 72.18% equity interest in But'one. Upon completion of the proposed Spin-off, the financial results of the Target Entities will continue to be consolidated into the Company's accounts. Therefore, the Shareholders will continue to enjoy the benefits from future development and growth of the TPG Business.

The Directors (excluding the independent non-executive Directors, being members of the Independent Board Committee, who will give their opinion after taking into account the advice of the Independent Financial Adviser) consider that the terms of the Agreements are fair and reasonable, on normal commercial terms or better, and the But'one TPG Merger and proposed Spin-off in the interest of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE BUT'ONE TPG MERGER

Immediately upon Completion, the equity interests of the Company in the Target Entities is expected to be reduced from 100% to approximately 72.18% and the Target Entities will become an indirect non wholly-owned subsidiaries of the Company through the shareholding held by the But'one. As a result, the Target Entities will continue to be consolidated into the consolidated financial statements of the Group.

The Company expects that there will be no recognized gain or loss by the Group from the But'one TPG Merger, for the Company as the controlling shareholder of the Target Entities will continue to retain its controlling interest over the Target Entities after the Completion. Shareholders should however note that goodwill may be recognised after the Completion. Impairment testing on the goodwill will be carried out annually and impairment risk will exist. The actual gain or loss to be recognized by the Group will depend on the result of the impairment testing.

The But'one TPG Merger is executed by way of a share exchange thus there will be no sale proceeds to be received by CSI China in respect of the disposal of the Target Entities and no financing requirements in acquiring the controlling interest in But'one.

LISTING RULES IMPLICATIONS

The relevant applicable percentage ratios in respect of the proposed disposal of the Target Entities exceed 75% and the relevant percentage ratios in respect of the acquisition of the A Shares are more than 100%. As a result, the But'one TPG Merger constitutes a very substantial disposal and a very substantial acquisition for the Company and therefore subject to announcement, circular and Shareholders' approval by way of poll requirements under the Listing Rules. In addition, the effective listing of the TPG Business contemplated under the Agreements also constitute a spin-off pursuant to the applicable requirements under PN 15. The proposed Spin-off is therefore also subject to, among other things, the approval of the Shareholders under paragraph 3(e)(1) of PN 15.

GENERAL

The EGM will be convened for the Shareholders to consider and, if thought fit, to approve the Agreements and the transactions contemplated thereunder. All of the Shareholders shall be entitled to vote on the resolutions to be proposed at the general meeting. The relevant resolutions to be proposed at the general meeting will be voted by poll in compliance with the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Zeng Zhijie, Dr. Leung Wing Yin Patrick and Dr. Lai Guanrong, will be established to consider, and advise the Shareholders as to whether the terms of the Agreements are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, in the interests of the Company and the Shareholders as a whole and how to vote on the resolution(s) regarding the proposed Spin-off at the EGM. The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Shareholders in this regard.

It is expected that a circular containing, among others, (i) the details of the proposed Spin-off, (ii) the letter of advice from the Independent Board Committee to the Shareholders in respect of the proposed A-Share TPG Merger, (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Shareholders in respect of the proposed But'one TPG Merger, and (iv) the notice convening the EGM will be dispatched to the Shareholders on or before 23 August 2016.

The But'one TPG Merger and the transactions contemplated thereunder and the proposed Spin-off are subject to, among other things, approvals of the Stock Exchange pursuant to PN15 and relevant PRC regulatory authorities and the shareholders of But'one. Accordingly, Shareholders and potential investors of the Company should note that the But'one TPG Merger and the transactions contemplated thereunder and the proposed Spin-off may or may not materialize. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

- “Actual Net Profits” : the actual amounts of net profits after tax attributable to shareholder of the Target Entities (excluding non-recurring profit and loss, but including tax refund and government subsidies in connection with their principal business);
- “Agreements” : (i) the Asset Purchase and Share Issue Agreement; and
(ii) the Profit Compensation Agreement;
- “AIC Equity Transfer Formalities” : the equity transfer formalities required to be performed with the Administration for Industry and Commerce Bureau of the PRC;
- “Appraised Value” : the valuation of the 100% equity interests of the Target Entities as at the Valuation Date as per the Valuation Report;
- “Asset Integration” : the transfer of the equity interests of each of the Integrated Entities to CSI Technology Services or its subsidiary, China Resource (International) Limited;

“Asset Purchase and Share Issue Agreement”		the agreement dated 2 August 2016 entered into between But’one and CSI China in relation to the disposal of 100% equity interests in each of the Target Entities by CSI China in exchange for the Consideration Shares;
“A Share(s)”	:	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of But’one;
“But’one”	:	西安博通資訊股份有限公司 (But’one Information Corporation, Xi’an), a joint stock company established under the laws of the PRC whose shares are listed on the SSE (stock code: 600455), being one the Parties;
“But’one TPG Merger”	:	the disposal of 100% equity interests in each of the Target Entities by CSI China in exchange for the Consideration Shares pursuant to the terms of the Asset Purchase and Share Issue Agreement and compensation arrangements between the Parties pursuant to the Profit Compensation Agreement;
“Board”	:	the board of Directors;
“Business Day(s)”	:	a statutory working day excluding statutory public holiday in the PRC;
“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 Asset Purchase and Share Issue Agreement pursuant to its terms and conditions;
“Completion Date”		the date of signing the Completion Confirmation Statement by the Parties;
“Committed Net Profits”	:	the amounts of net profits after tax attributable to the shareholders of the Target Entities (excluding non-recurring profit and loss, and including tax refund and government subsidies in connection with their principal business) in each of the financial years during the Profit Compensation Period as committed by CSI China under the Profit Compensation Agreement;

“Compensation Shares”	:	the Consideration Shares to be repurchased and cancelled by But’one pursuant to the Profit Compensation Agreement;
“connected person(s)”	:	such term has the meaning ascribed to it under the Listing Rules;
“Consideration”	:	the consideration for the disposal of 100% equity interests of each the Target Entities by CSI China to But’one pursuant to the Asset Purchase and Share Issue Agreement;
“Consideration Shares”	:	new A Shares (inclusive of, among other, bonus shares, capitalization issue derived there from) to be allotted and issued by But’one to CSI China pursuant to the terms of the Asset Purchase and Share Issue Agreement;
“controlling shareholder(s)”	:	meets the provision regarding natural persons, legal persons or other economic organisation under article 316 paragraph (b) of the Company Law of the PRC (2013 Amended) and article 18.1 of the SSE Listing Rules (SSSE issued (2014) number 65);
“Compensation Shares”	:	Consideration Shares (if any) to be repurchased and cancelled thereafter by But’one from CSI China pursuant to the Profit Compensation Agreement;
“CSI Technology Services”	:	中軟國際科技服務有限公司(Chinasoft International Technology Services Limited), an indirect wholly-owned subsidiary of the Company as at the date of this announcement;
“CSI China”	:	中軟國際(中國)科技有限公司 (Chinasoft International (China) Technology Co., Ltd.), a limited company incorporated in the PRC, being a wholly-owned subsidiary of the Company, being one the Parties;
“CSRC”	:	China Securities Regulatory Commission;
“Director(s)”	:	directors of the Company;
“EGM”	:	an extraordinary general meeting of the Company to be held to approve, among others, the Agreements and the transactions contemplated thereunder, and the proposed Spin-off;

“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;
“Independent Board Committee”	:	an independent board committee of the Board comprising all the independent non-executive Directors, namely Mr. Zeng Zhijie, Dr. Leung Wing Yin Patrick and Dr. Lai Guanrong, to consider and advise the Shareholders on the terms of the proposed Spin-off are fair and reasonable, on normal commercial terms or better, and in the interest of the Company and the Shareholders as a whole, and how to vote at the EGM;
“Independent Financial Adviser”	:	an independent financial adviser who will be appointed by the Company to consider and advise the Independent Board Committee and the Shareholders on the terms of the proposed Spin-off and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better, and in the interest of the Company and the Shareholders as a whole, and how to vote at the EGM;
“Integrated Entities”	:	100% of the issued share capital of each of (1) CSI Interfusion Inc., (2) CYBER Resource Software Technology (Ireland) Limited; (3) Japan Powerise Co., Ltd (日本创智株式会社); (4) Kabushiki Kaisha Tokyo Xinhua Limited (株式会社东京信华); (5) CSI Interfusion Kft.;
“Issue Price”	:	the issue price per Consideration Share of RMB39.07 pursuant to the Asset Purchase and Share Issue Agreement;
“Listing Rules”	:	the Rules Governing the Listing of Securities on the Stock Exchange;
“Net Profits Difference”	:	the shortfall between the Actual Net Profit and the Committed Net Profit;
“normal commercial terms or better”	:	such term has the meaning ascribed to it under the Listing Rules;

“Parties”	:	parties to the Asset Purchase and Share Issue Agreement or the Profit Compensation Agreement, namely But’one and CSI China;
“percentage ratio(s)”	:	such term has the meaning ascribed to it under the Listing Rules;
“PN 15”	:	Practice Note 15 of the Listing Rules;
“Pricing Date”	:	2 August 2016, being the announcement date of the board resolution(s) in respect of the seventeenth board meeting of the fifth board of directors of But’one convened to consider and approve transactions contemplated under the Asset Purchase and Share Issue Agreement;
“PRC”	:	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan);
“Profit Compensation Agreement”	:	the agreement dated 2 August 2016 entered into between But’one and CSI China in relation to compensation arrangements between the Parties pursuant to the Profit Compensation Agreement
“Profit Compensation Period”	:	the financial year in which the Completion shall take place and the two financial years immediately following thereafter;
“Remaining Group”	:	the Group excluding the But’one and its subsidiaries (including the Target Entities) immediately upon Completion;
“RMB”	:	Renminbi, the lawful currency of the PRC;
“SASAC”	:	State-owned Assets Supervision and Administration Commission of the State Council;
“Shanghai Huateng”	:	上海華騰軟件系統有限公司 (Shanghai Huateng Software Systems Co., Ltd.), an indirect wholly-owned subsidiary of the Company;
“Share(s)”	:	ordinary share(s) of HK\$0.05 each in the share capital of the Company;

“Shareholder(s)”	:	holder(s) of the issued Shares;
“Spin-off”	:	the effective listing of the TPG Business on the SSE
“SSE”	:	Shanghai Stock Exchange;
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited;
“substantial shareholder(s)”	:	such term has the meaning ascribed to it under the Listing Rules;
“Target Entities”	:	Shanghai Huateng and CSI Technology Services (inclusive of the Integrated Entities to be transferred under the Asset Integration)
“Transitional Period”	:	the period from the date immediately after the Valuation Date and ending on the Completion Date (including the Completion Date);
“Valuation Date”	:	30 June 2016, being the reference date of valuation of the 100% equity interests of the Target Entities in the Valuation Report;
“Valuation Report”	:	the valuation report to be prepared by a professional valuer engaged by But’one to ascertain the Appraised Value;
“%”	:	per cent.

For the purpose of this announcement, amounts denominated in RMB have been translated into HK\$ at an exchange rate of RMB1:HK\$1.18. No representation is made that any amounts in RMB and HK\$ can be or could have been converted at the relevant dates at the above rates or at any other rates at all.

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

2 August 2016, Beijing

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*