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CHINASOFT INTERNATIONAL LIMITED

中 軟 國 際 有 限 公 司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 354)

DISCLOSEABLE TRANSACTION

ACQUISITION OF 100% INTERESTS IN A TARGET COMPANY

THE ACQUISITION

The Board wishes to announce that the Purchaser, a wholly-owned subsidiary of the Company, had on 21 July 2009 entered into the Agreement with the Vendor pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Interests for the aggregate consideration of RMB33,590,000 (approximately HK\$37,956,700).

DISCLOSEABLE TRANSACTION

As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition are greater than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

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THE AGREEMENT

1. Date

21 July 2009

2. The parties

(1) The Purchaser, a wholly-owned subsidiary of the Company; and

(2) The Vendor.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, the Vendor is independent of the Company and its connected persons as defined under the Listing Rules.

3. Assets to be acquired

The Target Company was incorporated in March 2004 under the laws of the PRC with a registered capital of RMB1,000,000 (approximately HK\$1,130,000). It is currently owned as to 100% by the Vendor. The Target Company is an information technology (IT) service provider principally engaged in the research and production of computer telephony integration (CTI) platforms in the PRC. Also, it is one of the major IT service providers of Huawei Technologies Company Limited (華為技術有限公司), a leading software services company in the PRC, in respect of its business and software production lines.

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Interests.

The Sale Interests represent in aggregate 100% equity interest in the Target Company. Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company.

Based on the audited accounts of the Target Company for the financial year ended 31 December 2008 prepared in accordance with the PRC accounting principles, the audited net asset value of the Target Company was RMB7,956,685.76 (approximately HK\$8,991,054.91). The audited net profits before and after taxation of Target Company for the year ended 31 December 2007 was RMB446,327.80 (approximately HK\$504,350.41) and RMB378,966.43 (approximately HK\$428,232.07) respectively and the audited net profits before and after taxation of Target Company for the year ended 31 December 2008 was RMB6,869,830.48 (approximately HK\$7,762,908.44) and RMB6,417,213.47 (approximately HK\$7,251,451.22) respectively.

4. Conditions precedents

The Purchaser's obligations to purchase the Sale Interests and to pay the consideration are conditional upon:

- (1) the completion of due diligence reviews by the Purchaser on the legal and financial aspects of the Target Company and such reviews being to the satisfaction of the Purchaser;
- (2) the Schedules of Account Receivables being prepared by the Vendor pursuant to the Agreement having been confirmed in writing by the Purchaser;
- (3) the Business Development Plans being prepared by the Vendor and the Target Company having been confirmed in writing by the Purchaser; and
- (4) the Vendor and the Purchaser having agreed to the contents of the share transfer instrument and other related documents upon request by the relevant PRC trade registration authority, if any.

5. Consideration

The total consideration for the Sale Interests is RMB33,590,000 (approximately HK\$37,956,700), which was arrived at after arm's length commercial negotiations between the Purchaser and the Vendor with reference to (i) the large customer base of the IT service provider business of the Target Company and its business networks with major customers; (ii) the potential growth of the operations as well as the earnings of the Target Company in the future to be set out in the Business Development Plans; and (iii) the high quality IT technical employees and management team of the Target Company, which have agreed to enter into a fixed term employment contracts with the Purchaser after the Acquisition.

It is intended that the consideration payable by the Purchaser shall be funded by internal resources of the Group.

6. Payment Terms

Pursuant to the Agreement, the consideration shall be paid by the Purchaser to the Vendor in cash in the following manner:

- (1) the sum of RMB7,500,000 (approximately HK\$8,475,000) shall be paid within 10 business days from the Closing Date;

- (2) the sum of RMB4,647,500 (approximately HK\$5,251,675) shall be paid after 6 months from the Closing Date and within 10 business days from the date of fulfillment of the following five conditions: (i) the completion of the relevant shares transfer, trade registration and handover procedures pursuant to the Agreement; (ii) the receipt of the Account Receivables during the First Payment Period in accordance with the Schedules; (iii) the Target Company having fulfilled all of its obligations set forth in the Undertakings within 6 months upon signing of the Agreement, and the Purchaser having provided a written confirmation in relation thereto; and (iv) there being no additional costs, fees or conditions attached to the Company Projects; and (v) there being no significant debts, pledges, or other adverse events (including provision of guarantees by the Target Company to third parties), and other potential claims, litigation, criminal or administrative punishments in relation to the Target Company which had been in existence before completion of the relevant shares transfer procedures, save and except for the matters which had been disclosed to the Purchaser during the process of the due diligence review of the Target Company;
- (3) the sum of RMB4,647,500 (approximately HK\$5,251,675) shall be paid after 12 months from the Closing Date and within 10 business days from the date of fulfillment of the following three conditions, namely the receipt of the Account Receivables during the Second Payment Period in accordance with the Schedules, and the fulfillment of the conditions set out in sub-paragraphs (2)(iv) and (2)(v) of this paragraph 6.
- (4) the sum of RMB4,647,500 (approximately HK\$5,251,675) shall be paid after 18 months from the Closing Date and within 10 business days from the date of fulfillment of the following three conditions, namely the receipt of the Account Receivables during the Third Payment Period in accordance with the Schedules, and the fulfillment of the conditions set out in sub-paragraphs (2)(iv) and (2)(v) of this paragraph 6.
- (5) the sum of RMB12,147,500 (approximately HK\$13,726,675) shall be paid after 24 months from the Closing Date and within 10 business days from the date of fulfillment of the following four conditions: the achievement of the growth rates of the Target Company for the years of 2009 and 2010 in accordance with the Business Development Plans, the receipt of the Account Receivables during the Fourth Payment Period in accordance with the Schedules, and the fulfillment of the conditions set out in sub-paragraphs (2)(iv) and (2)(v) of this paragraph 6.

Within one month from the signing of the Agreement, if circumstances deem necessary, further agreements supplemental to the Agreement may be entered into between the Vendor and the Purchaser for the purposes of amending the items set out in the Company Projects and adjusting the consideration of the Sales Interests, but in any event the adjusted consideration shall not be more than RMB35,000,000 (approximately HK\$39,550,000).

The Purchaser is entitled to deduct the consideration of the Sale Interests in the event that there are material adverse events which result in impairment loss on valuation of the Target Company, and the amounts so deducted shall be equal to the amount of such loss. The material adverse events include but are not limited to the failure of the Target Company to collect the Account Receivables in accordance with the Schedules and the failure of the Vendor to assist the Purchaser in collecting the income generated from the Company Projects.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group intends to expand its IT business activities, in particular IT outsourcing services, through its business strategies and acquisitions. The Directors consider that the Acquisition represents a good investment opportunity in light of the large scale operation and satisfactory economic return of the Target Company. The Target Company holds a prominent position in its industry within the PRC. Among its large customer base, a principal customer is a software company that is established in 27 other countries. The management style and operational strategies of the Target Company are also similar to the Group's, thereby ensuring a smooth and successful cooperation.

Leveraging on the established infrastructure, management expertise and professional knowledge of IT outsourcing capabilities of the Group and the Target Company, the Directors foresee numerous avenues for the Group's business growth and development. Through the Acquisition, the Group will greatly increase its customer base and the scale of its outsourcing business. The principal customer of the Target Company will also soon become a strategic customer of the Group, which will allow the Group to expand its business and profile internationally. This will enable the Group to be in a much stronger position than its competitors.

The Directors are of the view that the Acquisition is on normal commercial terms and in the ordinary and usual course of business of the Company and the terms of the Acquisition and the Agreement are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition are greater than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

PRINCIPAL ACTIVITIES OF THE PURCHASER AND THE GROUP

The principal activities of the Purchaser are the provision of IT outsourcing services.

The Group is principally engaged in different kinds of IT business, ranging from the provision of e-government solution, IT outsourcing services, IT consulting and training services.

DEFINITIONS

Unless the context otherwise requires, the following terms used herein have the following meanings:

“Accounts Receivables”	all the trade and other debts and amounts owing to the Company in respect of goods or services supplied by the Target Company in the usual or ordinary course of carrying on its business or otherwise
“Acquisition”	the acquisition of 100% equity interest in the Target Company by the Purchaser from the Vendor pursuant to the Agreement
“Agreement”	the acquisition agreement dated 21 July 2009 entered into between the Purchaser, the Vendor, and the Target Company in relation to the Acquisition
“Board”	the board of Directors
“business day(s)”	any day (other than a Saturday or a Sunday) on which banks in the PRC are generally open for normal banking Business
“Business Development Plans”	the business development plans of the Target Company for the years of 2009 and 2010 based on the estimated annual income and after tax net profit of the Target Company in the sum of RMB 37,430,000 (approximately HK\$42,295,900) and RMB 9,370,000 (approximately HK\$10,588,100) respectively prepared by the Vendor and the Target Company, pursuant to which the business growth rate and the after tax net profit growth rate of the Target Company shall not be less than 20% and 30% per year, respectively
“Closing Date”	the first business day after the date of fulfillment of the condition precedents set out under the section headed “Condition Precedents” of this announcement
“Company”	Chinasoft International Limited, a company incorporated in the Cayman Islands with limited liability the shares of which are listed on the Main Board of the Stock Exchange
“Company Projects”	all projects of the Target Company as at 28 February 2009, including but not limited to those set out in the Agreement

“Directors”	the directors of the Company
“First Payment Period”	the period between the Closing Date and 6 months from the Closing Date
“Fourth Payment Period”	the period between the Closing Date and 24 months from the Closing Date
“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
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	Chinasoft Resources Information Technology Services Limited (北京中軟資源信息科技服務有限公司), a limited liability company established under the laws of the PRC
“PRC”	The People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Sale Interests”	100% entire equity interest in the Target Company
“Schedules”	the payment schedules prepared by the Vendor pursuant to the Agreement setting out the items and amounts for Account Receivables during the First Payment Period, the Second Payment Period, the Third Payment Period, and the Fourth Payment Period, respectively
“Second Payment Period”	the period between the Closing Date and 12 months from the Closing Date
“Shareholders”	holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shenzhen Jinhua Software Limited (深圳市金華業軟體系統有限公司), a limited liability company established under the laws of the PRC

“Third Payment Period”	the period between the Closing Date and 18 months from the Closing Date
“Undertakings”	the undertakings in favour of the Purchaser executed contemporaneously with the Agreement by the Vendor and the Target Company
“Vendor”	Mr. Joseph Zhou (周中東)
“%”	per cent.

By order of the Board
Chinasoft International Limited
Dr. Chen Yuhong
Managing Director

Hong Kong, 21 July 2009

As at the date of this announcement, the Directors of the Company are as follows:

Executive Directors:

Dr. CHEN Yuhong (*Managing Director*)
Mr. WANG Hui
Dr. TANG Zhenming

Non-executive Directors:

Dr. CUI Hui (*Chairman*)
Mr. Duncan CHIU
Mr. FANG Jun
Mr. LIU Zheng
Dr. ZHANG Yaqin

Independent Non-executive Directors:

Mr. XU Zeshan
Mr. ZENG Zhijie
Dr. LEUNG Wing Yin Patrick

* *For identification purposes only*

English names of the PRC established companies/entities in this announcement are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.

In this announcement, RMB has been converted to HK\$ at the rate of RMB1.00 = HK\$1.13 for illustration purpose only. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.