

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**CONNECTED TRANSACTIONS
– PROVISION OF IT SOLUTION
AND
SALE OF PRODUCTS TO
HONY CAPITAL LIMITED**

Provision of IT solution to HCL

On 10 December 2012, Chinasoft Beijing, a wholly-owned subsidiary of the Company, and HCL entered into the IT Solution Agreement whereby HCL has agreed to engage Chinasoft Beijing to provide service to HCL in respect of its informationalization platform with the goal of centralizing all the information of its investment business, enhancing the working efficiency of staff of all departments of HCL so as to meet the future investment philosophy of HCL.

Sale of products to HCL

To facilitate the implementation of the solution and/or provision of services contemplated under the IT Solution Agreement which requires the use of certain fundamental intermediate products, on 10 December 2012, Chinasoft Beijing and HCL entered into the Supply Agreement whereby HCL has agreed to purchase those fundamental intermediate products from Chinasoft Beijing.

Listing Rules Implications

HCL is a wholly-owned subsidiary of a substantial shareholder of Keen Insight. ZHAO John Huan, a non-executive Director, is a director of HCL. HCL is therefore considered a connected person of the Company.

As each of the applicable percentage ratios calculated with reference to the aggregated contract sum under the Supply Agreement and the IT Solution Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Supply Agreement and the IT Solution Agreement, when aggregated, constitute a connected transaction subject to reporting and announcement requirements but exempt from independent shareholders' approval requirement under the Listing Rules.

To cater for its future business development, on 10 December 2012, HCL has agreed to engage Chinasoft Beijing to provide service to HCL in respect of its informationalization platform with the goal of centralizing all the information of its investment business, enhancing the working efficiency of staff of all business departments of HCL pursuant to the IT Solution Agreement. To facilitate the implementation of the solution and/or provision of services under the IT Solution Agreement which requires the use of certain fundamental intermediate products, HCL has agreed to purchase those fundamental intermediate products from Chinasoft Beijing pursuant to the Supply Agreement on the even date.

THE IT SOLUTION AGREEMENT DATED 10 DECEMBER 2012

Set out below is the principal terms of the IT Solution Agreement:–

Parties

- (1) Chinasoft Beijing, a wholly-owned subsidiary of the Company, as the service provider; and
- (2) HCL as the purchaser

Service to be provided

Chinasoft Beijing shall provide service to HCL in respect of the informationalization platform of HCL with the goal of centralizing all the information of its investment business, enhancing the working efficiency of staff of all business departments of HCL so as to meet the future investment philosophy of HCL. The services are, among others, diagnosis of the hardware, network system, and operation performance of its existing informationalization platform, formulate the design for MIP system, a platform targeting for project management, based on the business model of HCL and its future business development, and its implementation including development, installation and tuning, provide training, as well as develop the work plan for rectification and enhancement of enterprise information security and build up an information security mechanism.

The service under the IT Solution Agreement is of two phases. Phase I refers to development of the core business management function of the MIP system based on the diagnosis of the informationalization platform (“**Phase I**”), and phase II refers to the development of the remaining function (other than those covered in Phase I) pursuant to the IT Solution Agreement (“**Phase II**”).

Contract sum and payment terms

The contract sum is RMB7.38 million (equivalent to approximately HK\$9.07 million), which shall be payable by HCL to Chinasoft Beijing after Chinasoft Beijing having provided the invoice of the relevant amount to HCL, by way of telegraphic transfer or cash, in the following manner:–

- (i) RMB2,214,000 (equivalent to approximately HK\$2,720,838), being 30% of the total contract sum, shall be payable within 10 Business Days from the date of signing the IT Solution Agreement;
- (ii) RMB1,845,000 (equivalent to approximately HK\$2,267,365), being 25% of the total contract sum, shall be payable within 10 Business Days upon the acknowledgement of satisfactory examination of the tasks performed by Chinasoft Beijing under Phase I by HCL;
- (iii) RMB2,214,000 (equivalent to approximately HK\$2,720,838), being 30% of the total contract sum, shall be payable within 10 Business Days upon the acknowledgement of satisfactory examination of the tasks performed by Chinasoft Beijing under Phase II by HCL (“**Phase II Preliminary Verification**”);
- (iv) RMB738,000 (equivalent to approximately HK\$906,946), being 10% of the total contract sum, shall be payable within 10 Business Days upon the MIP system having been operated smoothly for three consecutive months after the Phase II Preliminary Verification, and HCL having acknowledged satisfactory examination of such (“**Final Verification**”); and
- (v) the remaining balance of RMB369,000 (equivalent to approximately HK\$453,473), being 5% of the total contract sum, shall be payable within 10 Business Days after the expiry of the Warranty Period (as defined below).

Warranty Period and after sale service during Warranty Period

The warranty period shall be for a period of 12 months commencing upon the passing of the Final Verification performed by HCL (“**Warranty Period**”). During the Warranty Period, Chinasoft Beijing shall provide after sale service including on-site examination and technical support via the telephone, internet and email.

BASIS OF DETERMINATION OF THE CONTRACT SUM UNDER THE IT SOLUTION AGREEMENT

The contract sum of the IT Solution Agreement was determined after arm’s length negotiation between the parties to the IT Solution Agreement based on the scope of services and after taking into accounts the costs and income of both parties and the market conditions.

SUPPLY AGREEMENT DATED 10 DECEMBER 2012

Set out below is the principal terms of the Supply Agreement:–

Parties

- (1) Chinasoft Beijing, a wholly-owned subsidiary of the Company, as the supplier; and
- (2) HCL as the purchaser

Products to be supplied

Chinasoft Beijing shall supply to HCL certain fundamental intermediate products which are required for the implementation of the solutions and/or provision of services by Chinasoft Beijing to HCL under the IT Solution Agreement. Those fundamental intermediate products being supplied include software which is developed by the Group.

Contract term

For a term of 24 months from the date of signing of the Supply Agreement by Chinasoft Beijing and HCL.

Contract sum and payment terms

RMB600,000 (equivalent to approximately HK\$737,354), which shall be payable by HCL to Chinasoft Beijing, by way of telegraphic transfer, no later than 10 Business Days after HCL having acknowledged satisfactory examination and receipt of the products and the receipt of the original copy of the invoice of the contract sum.

After sale service

Chinasoft Beijing shall provide after sale service for the products to be sold under the Supply Agreement for a term commencing from the date of signing the Supply Agreement and ending (i) one year thereafter; or (ii) on the expiry day of the Warranty Period as stipulated in the IT Solution Agreement, whichever is later. The after sale service to be provided are, among others, on-site examination, technical support via telephone and internet (including via email), training in respect of use of the products.

Other major obligations

If Chinasoft Beijing shall fail to deliver the products and/or provide services pursuant to the Supply Agreement, unless due to the force majeure event and/or such failure is due to HCL, Chinasoft Beijing shall be liable to pay HCL a daily default fee that equals to 0.03% of the contract sum in respect of the undelivered products and/or services not being provided but such default fee, in aggregate, shall not exceed 5% of the contract sum under the Supply Agreement.

If HCL shall fail to pay the contract sum pursuant to the Supply Agreement, unless due to the force majeure event and/or such failure is due to Chinasoft Beijing, HCL shall be liable to pay Chinasoft Beijing a daily default fee that equals to 0.03% of the unpaid contract sum but such default fee, in aggregate, shall not exceed 5% of the contract sum under the Supply Agreement.

BASIS OF DETERMINATION OF THE CONTRACT SUM UNDER THE SUPPLY AGREEMENT

The contract sum of the Supply Agreement was determined after arm's length negotiation between the parties to the Supply Agreement based on the costs of products including the after sale services and training and after taking into accounts the market conditions.

REASONS FOR AND BENEFITS OF THE IT SOLUTION AGREEMENT AND THE SUPPLY AGREEMENT

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.

The principal business of HCL includes investment consultancy, management consultancy, economic information consultancy, business information consultancy and technology consultancy services, provision of management and planning service to enterprises.

The Board is of the view that the provision of IT solution and the sale of ancillary products to HCL pursuant to the IT Solution Agreement and the Supply Agreement enable the Group to enhance its knowledge and understanding of the private equity investment business, being a principal business of HCL, which shall be helpful in its future business development in similar business.

The Directors (excluding the Interested Director) are of the view that the transactions under the IT Solution Agreement and the Supply Agreement will be conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and that the terms of the transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

HCL is a wholly-owned subsidiary of a substantial shareholder of Keen Insight. ZHAO John Huan, a non-executive Director, is a director of HCL. HCL is therefore considered a connected person of the Company.

As each of the applicable percentage ratios calculated with reference to the aggregated contract sum under the Supply Agreement and the IT Solution Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Supply Agreement and the IT Solution Agreement, when aggregated, constitute a connected transaction subject to reporting and announcement requirements but exempt from independent shareholders' approval requirement under the Listing Rules.

ZHAO John Huan, a non-executive Director, is (i) a director of HCL; (ii) interested in 55% interest in an intermediate holding company of Keen Insight, has to, and did abstain from voting on the relevant Board resolutions approving the Supply Agreement and the IT Solution Agreement. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under each of the IT Solution Agreement and the Supply Agreement that require to abstain from voting on the relevant Board resolutions.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturdays, Sundays and statutory holidays in the PRC) on which licensed banks in the PRC are generally open for business in the PRC
“Chinasoft Beijing”	北京中軟國際信息技術有限公司 (Chinasoft International Information Technology Limited**), a limited liability company incorporated in the PRC, being an indirect wholly-owned subsidiary of the Company
“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
“connected person(s)”	as such term is defined under the Listing Rules
“Director(s)”	the director(s) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“HCL”	Hony Capital Limited, an entity incorporated in Hong Kong
“Interested Director”	ZHAO John Huan who is a Director and has abstained from voting on the Board resolutions approving the IT Solution Agreement and the Supply Agreement owing to the possible conflict of interests by virtue of ZHAO John Huan (i) is a director of HCL; (ii) is interested in 55% interest in an intermediate holding company of Keen Insight
“IT Solution Agreement”	the IT solution agreement dated 10 December 2012 and entered into between Chinasoft Beijing and HCL in respect of the provision of service for the informationalization platform of HCL by Chinasoft Beijing to HCL
“IT”	information technology
“Keen Insight”	Keen Insight Limited, a substantial Shareholder holding 335,076,453 Shares representing approximately 19.51% of the total issued share capital of the Company as at the date of this announcement
“MIP”	management information platform
“percentage ratio(s)”	as such term is defined under the Listing Rules
“PRC”	the People’s Republic of China, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Supply Agreement”	the supply agreement dated 10 December 2012 and entered into between Chinasoft Beijing as the supplier and HCL as purchaser in relation to the sale of certain fundamental intermediate products by Chinasoft Beijing to HCL to facilitate the implementation of the solutions and/or provision of services under the IT Solution Agreement

“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	as such term is defined under the Listing Rules
“%”	per cent.

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

10 December 2012, Hong Kong

As at the date of this announcement, the Board comprises:

Executive Directors:

Dr. CHEN Yuhong (*Chairman and Chief Executive Officer*)

Dr. TANG Zhenming

Mr. WANG Hui

Mr. JIANG Xiaohai

Non-executive Directors:

Mr. ZHAO John Huan

Dr. ZHANG Yaqin

Dr. SONG Jun

Mr. LIN Sheng

Ms. SHEN Lipu

Independent Non-executive Directors:

Mr. ZENG Zhijie

Dr. LEUNG Wing Yin

Mr. XU Zeshan

****** *The English names of the companies established in the PRC in this announcement are for identification purposes only. In case of inconsistency, the Chinese names prevail.*

In this announcement, RMB has been converted into HK\$ at the rate of HK\$1 = RMB0.81372 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.

* *for identification purpose only*