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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)

SHARE TRANSACTION

Beijing Chinasoft, a wholly-owned subsidiary of the Company, and the Vendors entered into the Agreement on 12 April 2010 and the Supplemental Agreement on 11 May 2010. Pursuant to the Agreements, Beijing Chinasoft conditionally agreed to purchase from the Vendors the Target Share, representing 51% of the equitable interest of the Target Company, at an aggregate consideration of up to RMB23,020,000. Pursuant to the Supplemental Agreement, RMB11,120,000 of the said aggregate consideration will be satisfied by the Company issuing 9,208,126 Consideration Shares to the Vendors.

The Consideration Shares represent approximately 0.877% of the existing issued share capital and approximately 0.87% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. The Consideration Shares will be issued under the General Mandate and will rank equally among themselves and with the Shares in issue at the time of issue of the Consideration Shares.

As the Supplemental Agreement provides that part of the consideration of the Acquisition be satisfied by Consideration Shares, the Agreements constitute a share transaction (all applicable ratios are below 5%) for the Company under Chapter 14 of the Listing Rules.

THE AGREEMENTS

- Date : The Agreement dated 12 April 2010 and the Supplemental Agreement dated 11 May 2010
- Parties : (a) Purchaser: Beijing Chinasoft
- (b) Vendors: Zou Hong and Ye Ming

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Vendors and their ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Assets to be acquired

Pursuant to the Agreements, Beijing Chinasoft agreed to purchase and the Vendors agreed to sell the Target Share, representing 51% of the equity interest in the Target Company (as to 25.5% thereof from Zou Hong and as to 25.5% thereof from Ye Ming).

Consideration

Pursuant to the Agreements, the aggregate consideration for the Acquisition is up to RMB23,020,000, comprising the following tranches:

- (1) a total sum of RMB900,000 will be paid in cash by Beijing Chinasoft to the Vendors within 10 days after (i) the execution of all the definitive documentation for the Acquisition; (ii) the execution of shareholders' agreements between the parties; (iii) the execution of employment contracts for a term of 3 years and confidentiality agreements between the Target Company and its key employees; and (iv) all completion matters as stipulated in the Agreement having been dealt with;
- (2) a total sum of RMB1,000,000 will be paid in cash by Beijing Chinasoft to the Vendors within 10 days after the transfer of 51% of the equity interest in the Target Company from the Vendors to Beijing Chinasoft;
- (3) earn-out payments of up to RMB10,000,000 will be paid in cash by Beijing Chinasoft to the Vendors subject to the satisfaction of certain non-financial and financial conditions pursuant to the Agreement. The non-financial conditions include the retention of existing clients and certain key employees of the Target

Company. The financial conditions include the achievement of the following financial targets for the financial years of 2010, 2011 and 2012 by the Target Company:

	2010	2011	2012
Revenue	RMB 60,000,000	RMB75,000,000	RMB100,000,000
Net profits (after tax)	RMB 2,200,000	RMB4,650,000	RMB10,250,000

- (4) pursuant to the Supplemental Agreement, RMB11,120,000 shall be satisfied by the Company issuing 9,208,126 Consideration Shares to the Vendors (and/or a group of their nominees).

The aggregate consideration was determined after arm's length negotiations between the parties to the Agreements, with reference to (i) the potential prospect of the Target Company; (ii) the experienced consulting and management professionals of the Target Company, where all its key employees have agreed to enter into fixed-term employment contracts with the Group; and (iii) the strategic fit and potential synergies that may be generated for the Group. The Company intends to finance the cash payments of RMB11,900,000 by internal resources of the Group. The directors are of the view that the consideration for the Acquisition is fair and reasonable.

Consideration Shares

9,208,126 Consideration Shares of HK\$0.05 each will be issued at Completion, representing approximately 0.877% of the Company's existing issued share capital and approximately 0.87% of its issued share capital as enlarged by the issue of the Consideration Shares.

The Issue Price of HK\$1.377 per Consideration Share is determined based on the average closing price as quoted on the Stock Exchange for the last 40 trading days prior to 10 May 2010, and represents:

- (1) a discount of approximately 15% to the closing price of HK\$1.62 per Share as quoted on the Stock Exchange on 11 May 2010;
- (2) a discount of approximately 18.9% to the average closing price of HK\$1.698 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to 11 May 2010; and
- (3) a discount of approximately 19.1% to the average closing price of HK\$1.702 per Share as quoted on the Stock Exchange for the last ten trading days immediately prior to 11 May 2010.

The Consideration Shares are to be issued under the General Mandate granted by the Shareholders to the Directors at the last annual general meeting held by the Company on 18 June 2009, which authorised the Board to issue up to 201,455,737 Shares. Such mandate has not been utilised since the date of grant. Therefore, the issue of Consideration Shares is not subject to Shareholders' approval.

The Consideration Shares, when issued and fully paid, will rank pari passu among themselves and with all other Shares in issue at the time of issue of the Consideration Shares.

The parties agree that the Acquisition will be completed on the issue date of the Consideration Shares.

Conditions precedent

Completion is subject to the fulfilment of the following conditions pursuant to the Agreements:

- (1) Beijing Chinasoft being satisfied with the results of the due diligence exercise on the Target Company;
- (2) the obtaining of approvals from the board of directors of the Target Company;
- (3) the obtaining of written waivers from the Target Company's shareholders waiving their pre-emptive rights in relation to the Acquisition;
- (4) there being no major adverse change in the circumstances and business prospects of the Target Company;
- (5) the Listing Committee of the Stock Exchange approving the listing of, and permission to deal in, the Consideration Shares;
- (6) the Vendors assisting in the procedures for completing the change in shareholding in the Target Company; and
- (7) completing the election of a new board of directors of the Target Company and completing the amendment of the memorandum and articles of association and other related documents of the Target Company.

Lock-up

The Agreements do not contain any restrictions on the ability of the Company to issue further securities. Pursuant to the Supplemental Agreement, the Consideration Shares are subject to the following lock-up restrictions:

- (1) one third of the Consideration Shares shall not be disposed or transferred until 31 March 2011;

- (2) one third of the Consideration Shares shall not be disposed or transferred until 31 March 2012; and
- (3) the remaining Consideration Shares shall not be disposed or transferred until 31 March 2013.

INFORMATION ON THE TARGET COMPANY

Principal business

The Target Company is principally engaged in the provision of the following services:

- (1) operation consulting services on restructuring of business process, finance, human resources and supply chain management, etc.;
- (2) information technology planning and applied system planning such as IT strategy planning, demand analysis, structure design, and technology selection; and
- (3) information system development and implementation services based on SAP/ Oracle software suites.

Financial information

The audited net book asset value of the Target Company for the financial year ended 31 December 2009 is approximately RMB9,608,824.30. The audited net losses of the Target Company for the financial year ended 31 December 2009 are approximately RMB16,841,270.15 (before taxation and extraordinary items) and RMB16,949,856.33 (after taxation and extraordinary items). The audited net profits of the Target Company for the financial year ended 31 December 2008 are approximately RMB117,361.73 (before taxation and extraordinary items) and RMB38,263.09 (after taxation and extraordinary items).

REASONS FOR THE ACQUISITION

The Board believes that the Acquisition will allow the Group to diversify its business portfolio and enlarge its client base. The Acquisition will contribute to the implementation of the Group's corporate strategy and generate synergies. The service scopes of the Target Company and the Group are highly complementary. The Acquisition can drive the continual interaction of the existing businesses of the Group. The Target Company has an outstanding consultation team. With its consultation service experience accumulated over the years and its broad client base from a variety of industries, the Acquisition can strengthen the Group's high-end consultation capability, expand the range of industries, can serve and enlarge the Group's service catalog, which will further deepen its strategic alliance with clients, as well as realize the implementation of its point-to-point strategy. These can be seen in the following:

1. the Acquisition will enhance the Group's service capabilities in terms of management consultation as well as SAP and Oracle implementation;

2. the Target Company's equipment manufacturing-based MES system can be assimilated to expand the Group's industry application of MES solutions; and
3. the Target Company will be able to provide the Group's clients with even more professional ERP consultation and implementation services, and the Group, at the same time, will be able to provide the Target Company's clients with even more comprehensive solutions and services; the Target Company's clients may bring potential ITO and BPO opportunities to the Group.

The issue of the Consideration Shares will also enlarge the shareholder base of the Company.

The Board considers that the terms of the Acquisition to be fair and reasonable and in the interests of the Shareholders as a whole.

EFFECT ON SHAREHOLDING STRUCTURE

Assuming that there will be no change in the shareholding structure of the Company immediately before Completion, the shareholding structure of the Company immediately before and after the Completion will be as follows:

Shareholders	Immediately before the Completion		Immediately after the Completion	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
China National Computer Software & Technology Service Corporation (Hong Kong) Limited	245,315,173	23.38	245,315,173	23.17
Far East Holdings International Limited	138,989,822	13.24	138,989,822	13.13
Greater Pacific Capital Partners, LP	119,268,639	11.37	119,268,639	11.27
Dr. Chen Yuhong	67,387,608	6.42	67,387,608	6.37
International Finance Corporation ("IFC")	30,000,000	2.86	30,000,000	2.83
Dr. Cui Hui	20,000,000	1.91	20,000,000	1.89
Dr. Tang Zhenming	11,747,765	1.12	11,747,765	1.11
Mr. Wang Hui	9,837,838	0.94	9,837,838	0.93
The Vendors	—	—	9,208,126	0.87
Other public Shareholders	406,829,343	38.76	406,829,343	38.43
Total	1,049,376,188	100	1,058,584,314	100

FUND-RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities in the past 12 months period immediately before the date of this announcement.

LISTING RULES IMPLICATIONS

As the Supplemental Agreement provides that part of the consideration of the Acquisition be satisfied by Consideration Shares, the Agreements constitute a share transaction (all applicable ratios are below 5%) for the Company under Chapter 14 of the Listing Rules.

Application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

GENERAL

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.

DEFINITIONS

“Acquisition”	the proposed acquisition of the Target Share by Beijing Chinasoft under the Agreements;
“Agreement”	the sale and purchase agreement dated 12 April 2010 between Beijing Chinasoft and the Vendors in relation to the Acquisition;
“Agreements”	the Agreement and the Supplemental Agreement;
“Beijing Chinasoft”	北京中軟國際信息技術有限公司(Beijing Chinasoft International Information Technology Limited*), a wholly foreign owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company;
“Board”	the board of Directors;
“Company”	Chinasoft International Limited, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 354);

“Completion”	completion of the Acquisition;
“connected persons”	has the meaning as defined in the Listing Rules;
“Consideration Shares”	9,208,126 new Shares to be issued to the Vendors (and a group of their nominees) for the Acquisition;
“Directors”	the directors of the Company;
“General Mandate”	the general mandate granted to the Directors pursuant to the ordinary resolution of the Shareholders passed at the Company’s annual general meeting held on 18 June 2009;
“Group”	the Company and its subsidiaries;
“HK\$”	the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Issue Price”	the deemed issue price of HK\$1.377 per Consideration Share;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi yuan, the lawful currency of the PRC;
“Shares”	ordinary shares of HK\$0.05 each in the share capital of the Company;
“Shareholders”	holders of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Agreement”	the supplemental agreement dated 11 May 2010 in respect of the Agreement between Beijing Chinasoft and the Vendors;
“Target Company”	漢普管理諮詢（中國）有限公司(Han Consulting (China) Limited*), a foreign-invested enterprise established in the PRC;

“Target Share” 51% of the registered capital of RMB55,026,671 of the Target Company; and

“Vendors” Zou Hong and Ye Ming.

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

Hong Kong, 11 May 2010

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

Executive Directors:

Dr. CHEN Yuhong (*Managing Director*)

Dr. TANG Zhenming

Mr. WANG Hui

Non-executive Directors:

Dr. CUI Hui (*Chairman*)

Mr. Duncan CHIU

Mr. LIU Zheng

Dr. ZHANG Yaqin

Mr. FANG Jun

Independent Non-executive Directors:

Mr. XU Zeshan

Mr. ZENG Zhijie

Dr. LEUNG Wing Yin

* *For identification purposes only*