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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: 8216)**

**CONTINUING CONNECTED TRANSACTIONS  
AND CONNECTED TRANSACTIONS**

The Company and several of its subsidiaries entered into certain transactions with CS&S, CNSS, Beijing Shiyuan and Beijing Cyber Chinese:—

- (1) the Lease Agreements for the leasing of office premises by Beijing Chinasoft from CS&S and CNSS;
- (2) the provision of property management services by Beijing Shiyuan to several subsidiaries of the Company;
- (3) the Sales Agreement (A) for CNSS to engage Beijing Chinasoft to provide software and installation services for a management system software development and technology project of a customer of CNSS;
- (4) the Sales Agreement (B) for CNSS to engage Beijing Chinasoft to provide software and installation services for an e-Audit project of a customer of CNSS; and
- (5) the Loan Agreement for Beijing Chinasoft to make a loan of RMB1,450,000 (equivalent to HK\$1,394,230) to Beijing Cyber Chinese.

CS&S was formerly a substantial shareholder of Beijing Chinasoft, at the time when it entered into the relevant Lease Agreement with Beijing Chinasoft. CNSS became a management shareholder of the Company in September 2004 and subsequently became a substantial shareholder of the Company. Each of Beijing Shiyuan and Beijing Cyber Chinese is an associate of CNSS. These parties are regarded as connected persons of the Company. The Lease Agreements and the provision of property management services by Beijing Shiyuan constituted continuing connected transactions of the Company, and the Sales Agreement (A) the Sales Agreement (B) and the Loan Agreement constituted connected transactions of the Company.

The applicable percentage ratios for transactions under the Lease Agreements and the provision of property management services by Beijing Shiyuan on an annual basis exceed 0.1% but do not exceed 2.5%. The applicable percentage ratios for the Sales Agreement (A) and the Sales Agreement (B) and for the Loan Agreement exceed 0.1% but do not exceed 2.5%. The transactions under these agreements are subject to the reporting and announcement requirements under Rules 20.45 to 20.47 of the GEM Listing Rules but are exempt from the independent Shareholders' approval requirements under Rule 20.48.

Due to a change of personnel of the Company, disclosure of such transactions which would have been made by way of announcement was overlooked. To re-comply with the GEM Listing Rules, the Company is making this announcement in respect of these transactions. Details of such transactions (except for the Sales Agreement (B) which was entered into in March, 2006) were already disclosed in the Company's annual reports for 2004 and 2005. The Company has formulated an arrangement whereby all staff in the Beijing office handling transactions of the Group will inform the Hong Kong office of the Company prior to the entering into of any transaction by the Group, and the Hong Kong office will then determine forthwith whether the transaction concerned will amount to connected transaction and requires compliance with the GEM Listing Rules.

The Board announces that the Company and several of its subsidiaries, entered into certain transactions with CS&S, CNSS, Beijing Shiyuan and Beijing Cyber Chinese as further described below. CS&S was formerly a substantial shareholder of Beijing Chinasoft, at the time when it entered into the relevant Lease Agreement with Beijing Chinasoft. CNSS became a management shareholder of the Company in September 2004 and subsequently became a substantial shareholder of the Company. Beijing Shiyuan is held by CNSS as to 41% of its registered capital and Beijing Cyber Chinese is held by CNSS as to 30% of its registered capital, and each of them is an associate of CNSS. These parties are regarded as connected persons of the Company and the transactions constituted continuing connected transactions and connected transactions of the Company.

## **THE LEASE AGREEMENTS**

The Lease Agreements entered into by Beijing Chinasoft with CS&S and CNSS respectively comprise the following:—

### **1. Lease of 9th Floor of Block A, 3rd Floor of Block C and 3rd Floor, West Tower of Block B of 55 Xue Yuan Nan Road, Haidian District, Beijing, PRC (entered into with CS&S)**

Date of lease	:	1 March, 2004
Floor area of leased premises	:	1724.4031 square meters in aggregate
Term	:	1 January, 2004 to 31 December, 2004
Monthly rent	:	RMB 105,293.98 (equivalent to about HK\$101,244.21)
User	:	as office premises

**2. Lease of 9th Floor of Block A, 3rd Floor of Block C and 3rd Floor, West Tower of Block B of 55 Xue Yuan Nan Road, Haidian District, Beijing, PRC (entered into with CNSS)**

Date of lease : 1 January, 2005

Floor area of : 1724.4031 square meters in aggregate  
leased premises

Term : 1 January, 2005 to 31 December, 2005

Monthly rent : RMB40,255.58 (equivalent to about HK\$38,707.29) for 9th Floor of Block A  
RMB55,735.02 (equivalent to about HK\$53,591.37) for 3rd Floor of Block C  
RMB16,200 (equivalent to about HK\$15,576.92) for 3rd Floor, West Tower of  
Block B

User : as office premises

**3. Memorandum between Beijing Chinasoftware and CNSS to add 5th Floor, Block B of 55 Xue Yuan Nan Road, Haidian District, Beijing, PRC to the Lease Agreement under item 2 above (entered into with CNSS)**

Date : 1 September, 2005

Floor area of : 359.5663 square meters in aggregate  
leased premises

Term : 20 September, 2005 to 31 December, 2005

Monthly rent : Rent free period up to 9 October, 2005  
  
RMB17,403 (equivalent to about HK\$16,733.65) for October, 2005  
RMB23,731.38 (equivalent to about HK\$22,818.64) for each of November and  
December, 2005

**4. Lease of 8th Floor of Block A of 55 Xue Yuan Nan Road, Haidian District, Beijing, PRC (entered into with CNSS)**

Date of lease : 1 February, 2005

Floor area of : 609.9331 square meters in aggregate  
leased premises

Term : 1 March, 2005 to 31 December, 2005

Monthly rental : RMB40,255.60 (equivalent to about HK\$38,707.30)

User : as office premises

**5. Lease of all the office premises under items 2 to 4 above from CNSS (entered into with CNSS)**

Date of lease : 1 January, 2006

Floor area of : 2693.9025 square meters in aggregate  
leased premises

Term : 1 January, 2006 to 31 December, 2006

Monthly rental : RMB176,177.56 (equivalent to about HK\$169,401.50)

User : as office premises

**6. Lease of Rooms 105 and 106, 208-211, 309-311 in Tower A2 at 18 Changsheng Road, Changping District, Beijing, PRC (entered into with CNSS)**

Date of lease : 1 June, 2005

Floor area of : 1749.2648 square meters in aggregate  
leased premises

Term : 1 April, 2006 to 31 March, 2007

Total Rental : RMB865,877.17 (equivalent to about HK\$832,574.20)

User : as office premises

**PROVISION OF PROPERTY MANAGEMENT SERVICES**

Parties : Beijing Shiyuan and several subsidiaries of the Company

Nature of Transaction : provision of property management services (including water and electricity, cleaning, security, maintenance, etc) by Beijing Shiyuan to several subsidiaries of the Company

Aggregate amount of : RMB484,000 (equivalent to about HK\$456,603.77) for the year ended 31  
management fees  
paid to Beijing  
Shiyuan : RMB1,141,812.48 (equivalent to about HK\$1,097,896.62) for the year ended  
31 December, 2005

The total amount of rent paid by Beijing Chinasoft to CS&S for the lease of office premises plus the total amount of management fees paid to Beijing Shiyuan for the year ended 31 December, 2004 amounted to approximately RMB1,748,000 (equivalent to approximately HK\$1,649,056.60).

The total amount of rent paid by Beijing Chinasoft to CNSS for the lease of office premises plus the total amount of management fees paid to Beijing Shiyuan amounted to RMB2,955,521.44 (equivalent to approximately HK\$2,841,847.54) for the year ended 31 December, 2005.

The total amount of rent paid by Beijing Chinasoft to CNSS for the lease of office premises will amount to RMB2,763,538.60 (equivalent to approximately HK\$2,657,249) for the year ending 31 December, 2006. The total amount of rent payable by Beijing Chinasoft to CNSS for the lease of the premises under the Lease Agreement in item 6 above will be RMB216,469.29 (equivalent to approximately HK\$208,143.55) for the year ending 31 December, 2007. The Directors estimate that the total amount of rent payable by Beijing Chinasoft to CNSS for lease of office premises plus the total amount of management fees payable to Beijing Shiyuan will not exceed RMB3,547,000 (equivalent to approximately HK\$3,410,577) for the year ending 31 December, 2006 and will not exceed RMB4,256,000 (equivalent to approximately HK\$4,092,308) for the year ending 31 December, 2007 (calculated by reference to the aggregate amount of rent paid to CNSS and management fees paid to Beijing Shiyun for 2006, and taking into account a 20% increase per year to reflect the increase in the area of office premises rented and management fees payable (including water and electricity charges) as a result of the growth in business of the Group.

The levels of rent for the office premises under the Lease Agreements were determined by way of negotiations between Beijing Chinasoft and CS&S or CNSS (as the case may be), and the Directors consider such rental more favourable to Beijing Chinasoft than Beijing Chinasoft would otherwise have been offered by Independent Third Parties, after making reference to the prevailing market rent of similar properties in the same building.

The management fees payable for the provision of property management services were determined in accordance with the rates of management fees charged by Beijing Shiyuan generally for the provision of its services and the relevant subsidiaries of the Company were charged at the same rate as Beijing Shiyuan would have charged Independent Third Parties.

#### **THE SALES AGREEMENT (A)**

Date : 21 November, 2005

Parties : (1) CNSS  
(2) Beijing Chinasoft

Subject Matter : CNSS as the main contractor engaged Beijing Chinasoft to provide software and installation services for a management system software development and technology project of a customer of CNSS.

Beijing Chinasoft shall be responsible for the provision of software developed by itself, and the installation, after-sales and upgrading services to the customer of CNSS.

Consideration : RMB1,374,107 (equivalent to about HK\$1,321,256.73)

The consideration under the Sales Agreement (A) was in accordance with the general pricing policy of the Group for its products and services and on terms no less favourable than those obtained from Independent Third Parties.

## **THE SALES AGREEMENT (B)**

- Date : 31 March, 2006
- Parties : (1) CNSS  
(2) Beijing Chinasoft
- Subject Matter : CNSS as the main contractor engaged Beijing Chinasoft to provide software and installation services for an e-Audit project of a customer of CNSS.
- Beijing Chinasoft shall be responsible for the sourcing and sale of software products, and the installation, after-sales and upgrading services to the customer of CNSS.
- Consideration : RMB7,647,480 (equivalent to about HK\$7,353,346.15)

The consideration under the Sales Agreement (B) was in accordance with the general pricing policy of the Group for its products and services and on terms no less favourable than those obtained from Independent Third Parties.

## **THE LOAN AGREEMENT**

- Date : 1 December, 2005
- Parties : (1) Beijing Chinasoft, being the lender  
(2) Beijing Cyber Chinese, being the borrower
- Amount of loan : RMB1,450,000 (equivalent to about HK\$1,394,230.77)
- Term : 6 months from 1 December, 2005 to 31 May, 2006
- Interest : non-interest bearing
- Security : unsecured

As Beijing Chinasoft is not a banking institute, it is prohibited under PRC laws from charging interest on money lent to other parties. The amount due under the Loan Agreement had been fully repaid by Beijing Cyber Chinese in March 2006.

The Directors (including the independent Non-executive Directors) consider that the Loan Agreement was made on normal commercial terms which were no less favourable to the Group than terms available to or from Independent Third Parties.

## **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS AND THE CONNECTED TRANSACTIONS**

Beijing Chinasoft rented the office premises under the Lease Agreements from CNSS in view of the satisfactory location of such premises, and the favourable rental to Beijing Chinasoft than it would otherwise have been offered had Beijing Chinasoft rented office premises from Independent Third Parties.

The purpose of having CNSS as the main contractor under the Sales Agreement (A) and the Sales Agreement (B) was to increase the chance of Beijing Chinasoft to obtain the contracts to provide the products and services through the name of CNSS and its status as a PRC incorporated company. CNSS itself does not provide the products and services concerned. Such arrangements have taken place since the early stage of establishment of the Group. The Sales Agreement (A) and the Sales Agreement (B) were entered into in the ordinary and usual course of business of Beijing Chinasoft and the terms and pricing of the transaction were arrived at after arm's length negotiation and are no less favourable to the Group than those obtained from Independent Third Parties.

Beijing Shiyuan was engaged to provide property management services to the subsidiaries of the Company because Beijing Shiyuan has been appointed as the management company for those relevant properties leased by the subsidiaries of the Company concerned. These subsidiaries of the Company were charged management fees at the same rate as Beijing Shiyuan would have charged Independent Third Parties.

The amount under the Loan Agreement was advanced by Beijing Chinasoft to Beijing Cyber Chinese in order to enable Beijing Cyber Chinese to collaborate with Beijing Chinasoft to tender for a e-Park project for a company, which Beijing Cyber Chinese has a good relationship with. The loan was intended to be advanced to Beijing Cyber Chinese as operational capital to undertake the e-Park project. Eventually the e-Park project was awarded to Beijing Chinasoft itself and thus Beijing Cyber Chinese did not have to make use of the loan amount. Such loan was repaid by Beijing Cyber Chinese to Beijing Chinasoft after the tender by Beijing Chinasoft for the project was successful.

The Directors (including the independent Non-Executive Directors) confirm that the Lease Agreements, the engagement of Beijing Shiyuan for the provision of property management services, the Sales Agreement (A), the Sales Agreement (B) and the Loan Agreement were entered into upon normal commercial terms or on terms no less favourable than those available to Independent Third Parties, and believe that the terms of such agreements are fair and reasonable and are in the interests of the Shareholders as a whole.

## **GEM LISTING RULES REQUIREMENTS**

CS&S was formerly a substantial shareholder of Beijing Chinasoft, at the time when it entered into the relevant Lease Agreement with Beijing Chinasoft. CNSS became a management shareholder of the Company since September 2004 and subsequently became a substantial shareholder of the Company. Beijing Shiyuan is held by CNSS as to 41% of its registered capital and Beijing Cyber Chinese is held by CNSS as to 30% of its registered capital, and each of them is an associate of CNSS. These parties are regarded as connected persons of the Company. The Lease Agreements and the provision of property management services by Beijing Shiyuan constituted continuing connected transactions of the Company,, and the Sales Agreement (A) and Sales Agreement (B) and the Loan Agreement constituted connected transactions of the Company.

The applicable percentage ratios for transactions under the Lease Agreements and the provision of property management services by Beijing Shiyuan on an annual basis exceed 0.1% but do not exceed 2.5%. The applicable percentage ratios for the Sales Agreement (A) and the Sales Agreement (B), and for the Loan Agreement exceed 0.1% but do not exceed 2.5%. The transactions under these agreements are subject to the reporting and announcement requirements under Rules 20.45 to 20.47 of the GEM Listing Rules but are exempt from the independent Shareholders' approval requirements under Rule 20.48.

Due to a change of personnel of the Company, disclosure of such transactions which would have been made by way of announcement was overlooked. There was a shuffle of management personnel of the Company during 2004, under which the staff who was originally entrusted with supervision of transactions entered into by the Group and monitoring connected transactions implications was transferred to another position. Due to his being new to the position and also the new requirements for connected transactions under the GEM Listing Rules which came into effect on 31 March, 2004, the staff who took over that position towards the end of 2004 overlooked some of the implications under the GEM Listing Rules.

The Lease Agreements were entered into by Beijing Chinasoft at different times, each of them individually would have been continuing connected transactions exempt from the reporting, announcement and disclosure requirements. The auditors raised the issue of continuing connected transactions implications for the Lease Agreements in aggregate during the audit for the year ended 31 December, 2005. As for the provision of property management services by Beijing Shiyun, the total aggregate amount of management fees paid to Beijing Shiyun for the year ended 31 December, 2005 included Beijing Chinasoft's share of utilities charges such as water and electricity charges which if discounted would have made the connected transactions exempt from the reporting, announcement and shareholders' approval requirements. The Company did not include the water and electricity charges when considering the connected transactions implications for the provision of property management services by Beijing Shiyun, but in the course of the audit for the year ended 31 December, 2005 the auditors of the Company were of the view that such charges should be included for purpose of financial reporting of related party transactions under the applicable accounting standards in Hong Kong, thus technically making the quantum of such transactions subject to the reporting and announcement requirements.

To re-comply with the GEM Listing Rules, the Company is making this announcement in respect of these transactions. Details of such transactions (except for the Sales Agreement (B) which was entered into in March 2006) were already disclosed in the Company's annual reports for 2004 and 2005. The Company has formulated an arrangement whereby all staff in the Beijing office handling transactions of the Group will inform the Hong Kong office of the Company prior to the entering into of any transaction by the Group, and the Hong Kong office will then determine forthwith whether the transaction concerned will amount to connected transaction and requires compliance with the GEM Listing Rules.

## **GENERAL**

The Group is principally engaged in the provision of e-government solutions and customized software products, IT consulting and training services, IT outsourcing services and standalone software products for government authorities and IT service providers.

CS&S was engaged in the development of e-government and e-commerce software and solutions in the PRC. CNSS acquired CS&S and took over its assets and liabilities pursuant to an acquisition agreement dated 18 August, 2004 and CS&S was subsequently de-registered under the laws of the PRC in April 2005.

CNSS, the A shares of which are listed on the Shanghai Stock Exchange, is principally engaged in software and IT product development and systems integration in the sectors of railway, communication, aviation, taxation and military.

Beijing Cyber Chinese is principally engaged in the provision and development of Chinese information system software.



Beijing Shiyuan is principally engaged in the provision of property management services.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“associate”	has the meaning ascribed to it in the GEM Listing Rules
“Beijing Chinasoft”	北京中軟國際信息技術服務有限公司 (Beijing Chinasoft International Information Technology Limited), a wholly foreign owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company
“Beijing Cyber Chinese”	北京中軟賽博中文信息技術服務有限公司 (Beijing Chinasoft Cyber-Chinese Information Technology Company Ltd.), a limited liability company established in the PRC and owned by CNSS as to 30%
“Beijing Shiyuan”	北京中軟仕園物業管理有限公司 (Beijing Chinasoft Shiyuan Property Management Co., Ltd.), a limited liability company established in the PRC and owned by CNSS as to 41%
“Board”	the board of Directors
“CNSS”	中國軟件與技術服務股份有限公司 Chinasoft National Software and Service Company Limited (formally known as China National Computer Software & Technology Service Corporation), the A-shares of which listed on the Shanghai Stock Exchange and the parent company of the Vendor
“CS&S”	中國計算機軟件與技術服務總公司 (China National Computer Software & Technology Service Corporation), a state-owned enterprise established in the PRC which had been de-registered
“Company”	Chinasoft International Limited, a company incorporated in Cayman Islands with limited liability, the Shares of which are listed on GEM
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Lease Agreements”	the leases of the Premises by CS&S or CNSS to Beijing Chinasoft as further described in the section headed “THE LEASE AGREEMENTS” in this announcement
“Independent Third Party”	a party independent of and not connected with the Group and any its directors, chief executive, substantial shareholder or management shareholder or any of their respective associates
“Loan Agreement”	the loan agreement dated 1 December, 2005 under which Beijing Chinasoft made a loan of RMB1,450,000 to Beijing Cyber Chinese
“PRC”	the People’s Republic of China
“Premises”	office premises at 55 Xue Yuan Nan Road, Haidian District, and at 18 Changsheng Road, Changping District, Beijing, PRC leased under the Lease Agreements
“Sales Agreement (A)”	the agreement between CNSS and Beijing Chinasoft dated 21 November, 2005 for Beijing Chinasoft to provide software and installation services for a management system software development and technology project of a customer of CNSS
“Sales Agreement (B)”	the agreement between CNSS and Beijing Chinasoft dated 31 March, 2005 for Beijing Chinasoft to provide software and installation services for an e-Audit project of a customer of CNSS
“Share(s)”	ordinary share(s) of HK\$0.05 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

Unless otherwise specified, the Renminbi amounts shown in this announcement have been translated into Hong Kong dollars at an exchange rate of HK\$1.00 = RMB1.04. Such translation should not be construed as a representation that the RMB amounts have been, could have been or could be converted into HK\$, as the case may be, at this or any other rates or at all.

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

Hong Kong, 28 April, 2006

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

**Executive Directors:**

Dr. CHEN Yuhong (*Managing Director*)

Dr. TANG Zhenming

Mr. WANG Hui

**Non-executive Directors:**

Madam TANG Min (*Chairman*)

Dr. CUI Hui

Mr. CHEN Yung Cheng Timothy

Mr. Duncan CHIU

Mr. LIU Zheng

**Independent Non-executive Directors:**

Mr. HE Ning

Mr. ZENG Zhijie

Dr. LEUNG Wing Yin

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:—(1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

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\* *For identification purposes only*