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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)**

**DISCLOSEABLE TRANSACTION  
ACQUISITION OF 100% INTEREST IN TARGET COMPANY  
AND RESUMPTION OF TRADING**

**THE ACQUISITION**

The Board is pleased to announce that on 14 November 2007, the Purchaser entered into the Sale & Purchase Agreement with the Vendor, pursuant to which the Purchaser agreed to acquire from the Vendor the entire issued share capital of the Target Company.

The total consideration for the Acquisition is JPY242,621,603 (approximately HK\$16,979,954), which will be settled as to 20% by way of cash (approximately HK\$3,395,991) and 80% by allotment and issue of Consideration Shares at a price of approximately HK\$1.55 for each Consideration Share. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company.

**DISCLOSEABLE TRANSACTION**

Based on the applicable ratios set forth in Chapter 19 of the GEM Listing Rules, the Acquisition constitutes a discloseable transaction for the Company under the GEM Listing Rules. A circular containing, among other things, further information on the Acquisition will be despatched to the Shareholders as soon as practicable.

## **RESUMPTION OF TRADING**

Trading of the Ordinary Shares on GEM was suspended at the request of the Company with effect from 9:30 a.m. on 15 November 2007 pending the release of this announcement. An application has been made to the Stock Exchange for resumption of trading of the Ordinary Shares with effect from 9:30 a.m. on 16 November 2007.

## **THE SALE & PURCHASE AGREEMENT**

### **Date**

14 November 2007

### **Parties**

**Purchaser** : the Purchaser

**Vendor** : the Vendor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Vendor and its ultimate beneficial owner are third parties independent of and not connected persons of the Company.

### **Subject of the Acquisition**

The Target Company was incorporated on 12 May 1999 in Japan with a registered capital of JPY22,500,000 (approximately HK\$1,574,670). The entire amount of the registered capital of the Target Company has been paid up. The Vendor currently holds 100% equity interest in the Target Company.

The Target Company is a ITO (information technology outsourcing) service provider, which is principally engaged in the following businesses: (1) software development and maintenance of computer and communications systems; (2) design and maintenance of SI; (3) data processing; and (4) consulting services related to data processing of computer and communications systems, and training and education of computer technology.

Pursuant to the Sale & Purchase Agreement, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the entire equity interest of the Target Company. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company.

## Financial information on Target Company

Based on the unaudited accounts of the Target Company for the financial year ended 31 March 2007 prepared in accordance with generally accepted accounting principles in Japan, the unaudited net asset value of the Target Company as at 31 March 2007 was approximately JPY29,218,489 (approximately HK\$2,044,866). The unaudited net profits (before and after taxation and extraordinary items) of the Target Company for the two years ended 31 March 2007 were as follows:-

	<b>For the year ended 31 March 2006</b>	<b>For the year ended 31 March 2007</b>
	<i>JPY</i>	<i>JPY</i>
Profit before taxation and extraordinary items	16,892,390	29,568,561
Profit after taxation and extraordinary items	17,925,229	28,543,718

## Consideration and payment terms

Pursuant to the Sale & Purchase Agreement, the total consideration for the Acquisition is JPY242,621,203 (approximately HK\$16,979,954) which will be settled as follows:

1. 20%, being approximately HK\$3,395,991, in cash payable by the Purchaser to the Vendor within 20 Business Days upon fulfillment of the Conditions; and
2. 80%, being HK\$13,583,963, by way of Consideration Shares to the Vendor, subject to applicable laws and regulations and all consents having been obtained, within 20 Business Days upon fulfillment of the Conditions.

The consideration for the Acquisition was determined after arm's length commercial negotiations between the Purchaser and the Vendor. The parties made reference to the unaudited net profit of the Target Company for the year ended 31 March 2007 (prepared in accordance with generally accepted accounting principles in Japan) of JPY 28,543,718 (approximately HK\$1,997,642), the Target Company's diversified IT businesses and its wide customer base in Japan; and considered that the total consideration is fair and reasonable. Furthermore, the parties made reference to the net profit instead of the net asset value of the Target Company for the reason that the Target Company, due to the nature of its business, does not have substantial assets and its value is mainly reflected in its profit level.

The cash consideration for the Acquisition will be financed from internal resources of the Company.

## **Conditions**

Completion is conditionally upon fulfillment of certain conditions which include the following:

1. there being no material breach in the warranties given by the Vendor under the Sale & Purchase Agreement prior to Completion;
2. all approvals necessary to be obtained by the Vendor and the Target Company (where applicable) from the relevant authorities under the applicable law and regulations in connection with the Acquisition having been obtained;
3. if necessary, the passing of the relevant resolutions by the Company approving the Sale & Purchase Agreement and the allotment of the Consideration Shares; and
4. the Stock Exchange have granted the listing of and permission to deal in the Consideration Shares on GEM.

In the event that the Conditions cannot be fulfilled or waived by the Purchaser (save and except for the 4th condition above which cannot be waived by the Purchaser in any event) within 6 months from the date of the Sale & Purchase Agreement (or such reasonable time as determined by the Purchaser), the Sale & Purchase Agreement shall then lapse and forthwith be of no further effect, in which all the obligations of the parties shall be released and the parties shall have no claim against each other in respect of the Sale & Purchase Agreement, save in respect of any antecedent breaches of the terms of the Sale & Purchase Agreement. As at the date of this announcement, the Purchaser does not have the intention to waive any of the Conditions.

## **CONSIDERATION SHARES**

Upon Completion, as settlement of part of the consideration for the Acquisition to the extent of HK\$13,583,963, 8,790,313 Consideration Shares will be allotted and issued to the Vendor at the issue price of HK\$1.5453333 per Consideration Share, representing 0.75% and 0.74% of the existing and enlarged issued share capital of the Company respectively. The issue price was determined after arm's length negotiations between the Purchaser and the Vendor with reference to the average closing price of the Ordinary Shares for the 30 Trading Days preceding the date of the Sale & Purchase Agreement.

The issue price represents a discount of approximately 0.94% to the closing price of HK\$1.56 per Ordinary Share as quoted on GEM on 14 November 2007, being the last Trading Day prior to the suspension of trading in the Ordinary Shares pending the release of this announcement; and a premium of approximately 1.13% to the average closing price of approximately \$1.528 per Ordinary Share for the five Trading Days up to and including 13 November 2007.

The Consideration Shares to be issued to the Vendor will be subject to a lock-up period of one year from the relevant dates of allotment. Save as above, the Consideration Shares will rank pari passu in all respects with the existing Ordinary Shares. Application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares. The Consideration Shares will be issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 16 May 2007. Up to a total of 151,763,495 new Ordinary Shares can be issued under the general mandate, of which 7,918,782 new Ordinary Shares have been utilized.

As at the date of this announcement, the total issued share capital of the Company was HK\$58,820,979.65 divided into 981,919,593 Ordinary Shares and 194,500,000 Series A Preferred Shares.

### **SHAREHOLDING STRUCTURE OF THE COMPANY BEFORE AND AFTER COMPLETION OF ACQUISITION**

To the best knowledge of the Company, the following table shows the shareholding structure of the Company as at the date of this announcement and the expected shareholding structure after the issuance of 8,790,313 Consideration Shares:

<b>Name of Shareholders</b>	<b>Number of Ordinary Shares/ Series A Preferred Shares held and approximate percentage of shareholding (as at the date of this announcement)</b>	<b>Number of Ordinary Shares/ Series A Preferred Shares held and approximate percentage of shareholding (after issue and allotment of 8,790,313 Consideration Shares)</b>
<b><i>Ordinary Shares</i></b>		
China National Computer Software & Technology Service Corporation (Hong Kong) Ltd	199,010,755 (16.92%)	199,010,755 (16.79%)
Far East Holdings International Limited	130,419,822 (11.09%)	130,419,822 (11.00%)
Greater Pacific Capital Partners, LP	99,268,639 (8.44%)	99,268,639 (8.38%)
ABN AMRO Holding N.V.	59,260,000 (5.04%)	59,260,000 (5.00%)

<b>Name of Shareholders</b>	<b>Number of Ordinary Shares/ Series A Preferred Shares held and approximate percentage of shareholding (as at the date of this announcement)</b>	<b>Number of Ordinary Shares/ Series A Preferred Shares held and approximate percentage of shareholding (after issue and allotment of 8,790,313 Consideration Shares)</b>
JP Morgan Chase & Co.	48,810,000 (4.15%)	48,810,000 (4.12%)
Vendor	–	8,790,313 (0.74%)
Public & others	445,150,377 (37.84%)	445,150,377 (37.56%)
<b>Total Ordinary Shares</b>	<b>981,919,593 (83.46%)</b>	<b>990,709,906 (83.59%)</b>
<b><i>Series A Preferred Shares</i></b>		
Microsoft Corporation	97,250,000 (8.27%)	97,250,000 (8.21%)
International Finance Corporation	97,250,000 (8.27%)	97,250,000 (8.21%)
<b>Total Series A Preferred Shares</b>	<b>194,500,000 (16.54%)</b>	<b>194,500,000 (16.41%)</b>
<b>TOTAL</b>	<b>1,176,419,593 (100%)</b>	<b>1,185,209,906 (100%)</b>

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group intends to expand its IT business activities, in particular IT outsourcing services, through its operation and acquisitions. The acquisition of the Target Company mainly because: (1) it involves in various business sectors, such as news and communications, electricity, cultural and education; (2) it has 9 years' experience in business and strategic development and established a solid business foundation in Japan; and (3) it sustains low cost advantage and good quality control, as all of its personnel are well-versed in Japanese and professional technical knowledge which enable them to accurately identify customers' needs. Also, with its obvious cost advantage and security systems, the Target Company is able to create great value for its customers and guarantee development quality.

Leveraging on the established infrastructure, management expertise and professional knowledge of IT outsourcing services of the Group and the customer base of the Target Company, the Directors expect that the Acquisition will bring to the Group the following strategic benefits: (1) expand the Group's IT outsourcing business in Japan; and (2) broaden the Group's customer base in Japan and acquire higher quality customer profile.

The Directors consider that the terms of the Sale & Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **GENERAL INFORMATION**

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.

The Vendor is an investment holding company.

As the applicable ratios calculated pursuant to Chapter 19 of the GEM Listing Rules exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the GEM Listing Rules. A circular containing, among other things, particulars of the Acquisition will be despatched to the Shareholders as soon as practicable.

## DEFINITIONS

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

“Acquisition”	the acquisition of the Target Company by the Purchaser pursuant to the terms and conditions of the Sale & Purchase Agreement;
“Business Days”	the days on which banks in Hong Kong are generally open for business other than Saturdays;
“Board”	the board of Directors;
“Company”	Chinasoft International Limited, a company incorporated in the Cayman Islands with limited liability, the Ordinary Shares of which are listed on GEM;
“Completion”	the completion of the Acquisition;
“Conditions”	the conditions precedent to the Completion, as more particularly set out under the section headed “Conditions” of this announcement;
“Consideration Share(s)”	such number of new Ordinary Shares to be issued to the Vendor as part of the consideration for Acquisition pursuant to the Sale & Purchase Agreement;
“Directors”	the directors 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;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“JPY”	Japanese yen, the lawful currency of Japan;
“Ordinary Shares”	ordinary share(s) of HK\$0.05 each in the share capital of the Company;
“PRC”	the People’s Republic of China which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan;



“Purchaser”	Chinasoft International (Hong Kong) Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;
“RMB”	Renminbi yuan, the lawful currency of the PRC;
“Sale & Purchase Agreement”	the agreement dated 14 November 2007 entered into between the Purchaser and the Vendor in respect of the Acquisition;
“Series A Preferred Share(s)”	the senior redeemable convertible preferred share(s) of HK\$0.05 each in the issued share capital of the Company;
“Shareholders”	the shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	日本創智株式會社 (Japan Powerise Co., Ltd.*), a company incorporated in Japan which is owned as to 100% by the Vendor;
“Trading Days”	the days on which the Ordinary Shares are traded on GEM;
“Vendor”	Sino Speed International Limited, a company incorporated in the British Virgin Islands; and
“%”	percentage

*Unless otherwise specified, the RMB and JPY amounts shown in this announcement have been converted into HK\$ at the rates of HK\$1.00=RMB0.9546 and HK\$1.00=JPY14.28870794. Such conversion should not be construed as a representation that the RMB and JPY 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, 15 November 2007

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:***

Mr. SU Zhenming (*Chairman*)

Dr. CUI Hui

Mr. Timothy CHEN Yung Cheng

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.*

*This announcement will remain on the “Latest Company Announcement” page of the GEM website at <http://www.hkgem.com> for at least 7 days from date of its publication.*

\* *For identification purpose only*