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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
– ACQUISITION OF 2.44% EQUITY INTEREST IN SHANGHAI HUATENG SOFTWARE SYSTEMS CO., LTD.

The Sale and Purchase Agreement

On 14 December 2012, the Company, the Vendor and the Warrantor entered into the Sale and Purchase Agreement whereby the Company has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell 2.44% equity interest in the Target Company at the consideration of HK\$8,866,800. The consideration shall be satisfied in full by the issue of the Consideration Shares at an issue price of HK\$1.80 per Consideration Share. The Consideration Shares will be issued pursuant to the General Mandate.

As at the date of this announcement, the Target Company is a non wholly-owned subsidiary of the Group in which the Group beneficially owns approximately 86.43% of its equity interest. Upon the Acquisition Completion, the Company will beneficially own approximately 88.87% equity interest in the Target Company and thus the Target Company shall remain to be a non wholly-owned subsidiary of the Company. Upon the Acquisition Completion, the financial statements of the Target Company shall remain to be consolidated to the financial statements of the Group as it is immediately before the Acquisition Completion.

Listing Rules Implications

As each of the applicable percentage ratios in respect of the Acquisition is less than 5% and where the consideration of the Acquisition includes the issue of the Consideration Shares, the Acquisition constitutes a share transaction under the Listing Rules for the Company and is therefore required to publish an announcement under the Listing Rules.

THE SALE AND PURCHASE AGREEMENT DATED 14 DECEMBER 2012

Parties

- (1) The Company as the purchaser
- (2) The Vendor as the vendor
- (3) The Warrantor as the warrantor to the Vendor. The Warrantor shall do all acts that are necessary for the transfer of the Sale Interest to the Company pursuant to the Sale and Purchase Agreement

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendor, Warrantor and their ultimate beneficial owners are Independent Third Parties.

Subject Matter

Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell 2.44% equity interest in the Target Company in the manner as set out in the following paragraph.

As at the date of the Sale and Purchase Agreement, the Warrantor owns the entire Sale Interest. The Vendor is a wholly-owned subsidiary of the Warrantor. The Vendor shall procure the transfer of the Sale Interest to the Company or any of its wholly-owned subsidiaries nominated by the Company. The Warrantor shall do all acts which are necessary for the transfer of the Sale Interest to the Company (or any of its wholly-owned subsidiary as nominated by the Company) pursuant to the Sale and Purchase Agreement.

Consideration

The consideration for the Sale Interest is HK\$8,866,800 (equivalent to approximately RMB7,198,954.92 using the exchange rate of HK\$1 equals to RMB0.8119 as published by the People's Bank of China on the date of the Sale and Purchase Agreement), which shall be payable by way of issue of the 4,926,000 Consideration Shares at the issue price of HK\$1.80 per Consideration Share within 30 days from the Acquisition Completion Date.

Conditions precedent

Pursuant to the Sale and Purchase Agreement, the Acquisition is conditional upon the fulfillment or, to the applicable extent, the waiver of the following conditions:

- (1) The Board and (where necessary) the Shareholders approving the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (2) The board of directors of the Vendor and the shareholder(s) of the Vendor approving the Sale and Purchase Agreement and the transactions contemplated thereunder;

- (3) The board of directors of the Warrantor and the shareholder(s) of the Warrantor approving the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (4) the Listing Committee having approved or agreed to approve the listing of, and permission to deal in, the Consideration Shares;
- (5) the compliance of any other requirements under the Listing Rules or otherwise of the Stock Exchange or the Securities and Futures Commission or other regulatory authorities or any applicable laws and regulations which requires compliance in relation to the transactions contemplated under the Sale and Purchase Agreement;
- (6) at any time on or before the Acquisition Completion Date, the representations, warranties and undertakings given by the Parties remains true, accurate and that no events have occurred that would result in any breach of any warranties or provisions of the Sale and Purchase Agreement by the Parties in any material respects;
- (7) the Parties complies with all undertakings and performed all obligations under the Sale and Purchase Agreement and has not breached the same;
- (8) the Acquisition having complied with the applicable laws of relevant jurisdictions (including but not limited to the PRC and Hong Kong) and approvals (if any) from all relevant government authorities (including but not limited to approval and regulatory authorities in the PRC and Hong Kong) having been obtained;
- (9) the Target Company having obtained all necessary waiver, third party approval and consents in relation to the Acquisition from the relevant approval authorities;
- (10) the Sale Interest having been transferred to the Company (or any of its wholly-owned subsidiaries nominated by the Company) pursuant to the Sale and Purchase Agreement and the obtaining of the valid business registration license of the Target Company.

Pursuant to the Sale and Purchase Agreement, (i) the Vendor may at its absolute discretion at any time waive in part or in full in writing conditions precedent (6) and (7) above which the Purchaser is required to comply with; and (ii) the Purchaser may at its absolute discretion at any time waive in part or in full in writing conditions precedent (6) and (7) above which Vendor and/or the Warrantor is/are required to comply with.

If any of the above conditions has not been fulfilled or, where applicable, waived by the relevant party on or before 30 June 2013 or such later date as the Parties may agree, the Sale and Purchase Agreement shall then lapse and no party shall have any claim against or liability to the other party(ies) in respect of the breach of agreement according to the Sale and Purchase Agreement.

As at the date of this announcement, none of the above conditions precedent have been fulfilled.

Acquisition Completion

Pursuant to the Sale and Purchase Agreement, the Acquisition Completion Date shall take place on the day on which all the conditions precedent having been fulfilled or waived.

CONSIDERATION SHARES

Within 30 days from the Acquisition Completion Date, the Company will issue 4,926,000 Consideration Shares to the Vendor. The 4,926,000 Consideration Shares represent approximately (i) 0.287% of the entire issued Shares as at the date of this announcement; and (ii) 0.286% of the issued Shares as enlarged by the issue of 4,926,000 Consideration Shares to the Vendor pursuant to the Sale and Purchase Agreement.

The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects amongst themselves and with the Shares in issue on the date of issue and allotment of the Consideration Shares.

ISSUE PRICE OF THE CONSIDERATION SHARES

The issue price of HK\$1.80 per Consideration Share represents:–

- (i) a discount of approximately 5.76% to the closing price of HK\$1.91 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 6.15% to the average closing price of HK\$1.918 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 6.49% to the average closing price of HK\$1.925 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

The issue price of HK\$1.80 per Consideration Share was arrived at after arm's length negotiation between the Company and the Vendor with reference to the recent closing price of the Shares as quoted on the Stock Exchange. The Directors consider that the issue price is fair and reasonable and the issuance of the Consideration Shares at the issue price is in the interests of the Company and the Shareholders as a whole.

BASIS OF THE CONSIDERATION

The consideration for the Sale Interest under the Sale and Purchase Agreement was determined after arm’s length negotiations between the Group and the Vendor with reference to, among others, the audited consolidated net asset value of the Target Company as at 31 December 2011 and the business growth potential of the Target Group.

MANDATE TO ISSUE THE CONSIDERATION SHARES

The Company will issue 4,926,000 Consideration Shares to the Vendor pursuant to the General Mandate granted to the Directors at the annual general meeting of the Company held on 18 May 2012.

As at the date of this announcement, no Shares have been issued pursuant to the General Mandate.

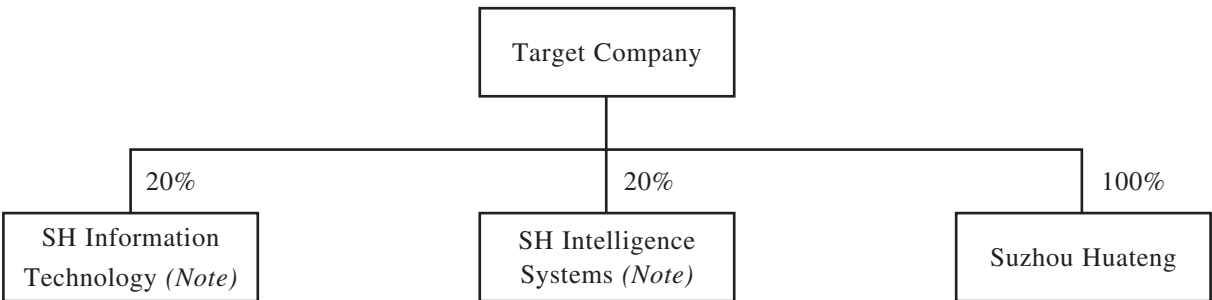
APPLICATION FOR LISTING

Application will be made by the Company to the Listing Committee for the listing of, and the permission to deal in, the Consideration Shares.

INFORMATION ON THE TARGET GROUP

The Target Company is headquartered in Shanghai and with branch offices in Beijing, Guangzhou and Chongqing. The Target Company has one wholly-owned subsidiary, namely Suzhou Huateng, and two 20%-owned associated companies, namely SH Intelligence Systems and SH Information Technology. The Target Group is principally engaged in the provision of application software development and integration services to financial institutions such as China UnionPay, Bank of Communications, Agricultural Bank of China, China Post and e-commerce and public utility companies such as Shanghai Social Security Smart Card Service Center, Shanghai Shentong Metro Group Co., Ltd., Shanghai Public Traffic Card Co., Ltd. and Shanghai Subway Operation Company. It has a registered capital of US\$8 million which has been fully paid up.

Set out below is the corporate structure of the Target Group as at the date of this announcement:



Note: To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, holder of the remaining 80% equity interest in SH Information Technology and SH Intelligence Systems are Independent Third Parties.

Based on the audited consolidated accounts of the Target Group for each of the two financial years ended 31 December 2011, prepared in accordance with the PRC generally accepted accounting standards, the audited consolidated profit before and after taxation and extraordinary items of the Target Group for each of the two financial years ended 31 December 2011 were as follows:

	2010		2011	
	<i>Approximate RMB (million)</i>	<i>Approximate HK\$ equivalent (million)</i>	<i>Approximate RMB (million)</i>	<i>Approximate HK\$ equivalent (million)</i>
Profit before taxation and extraordinary items	36.17	44.55	42.86	52.79
Profit after taxation and extraordinary items	32.53	40.07	37.82	46.58

As at 30 September 2012, the unaudited consolidated net asset value of the Target Group amounted to approximately RMB179.32 million (equivalent to approximately HK\$220.86 million).

The Group acquired approximately 97.35% equity interest in Hinge Global Resources Inc., which holds approximately 88.78% equity interest in the Target Company, from parties (who or which were not the Vendor or the Warrantor or their respective associate(s)) in year 2007, resulting in the Group having a beneficial interest approximately 86.43% equity interest in the Target Company (“**Previous Acquisition Completion**”).

From the Previous Acquisition Completion up to and including the date of this announcement, the Target Company is a non wholly-owned subsidiary of the Group in which the Group beneficially owns approximately 86.43% of its equity interest. As at the date of this announcement, (i) the Vendor does not hold any equity interest in the Target Company; and (ii) the Warrantor holds approximately 2.44% equity interest in Target Company. Upon the Acquisition Completion, (i) the Warrantor shall not hold any equity interest in the Target Company; and (ii) the Company will (a) directly hold approximately 2.44% equity interest in Target Company; and (b) indirectly hold approximately 88.78% equity interest in the Target Company through Hinge Global Resources Inc., a 97.35%-owned subsidiary of the Company, resulting in the Group having a beneficial interest of approximately 88.87% equity interest in the Target Company. Thus, the Target Company shall remain to be a non wholly-owned subsidiary of the Company upon the Acquisition Completion. Upon the Acquisition Completion, the financial statements of the Target Company shall remain to be consolidated to the financial statements of the Group as it is immediately before the Acquisition Completion.

INFORMATION OF THE VENDOR AND THE WARRANTOR

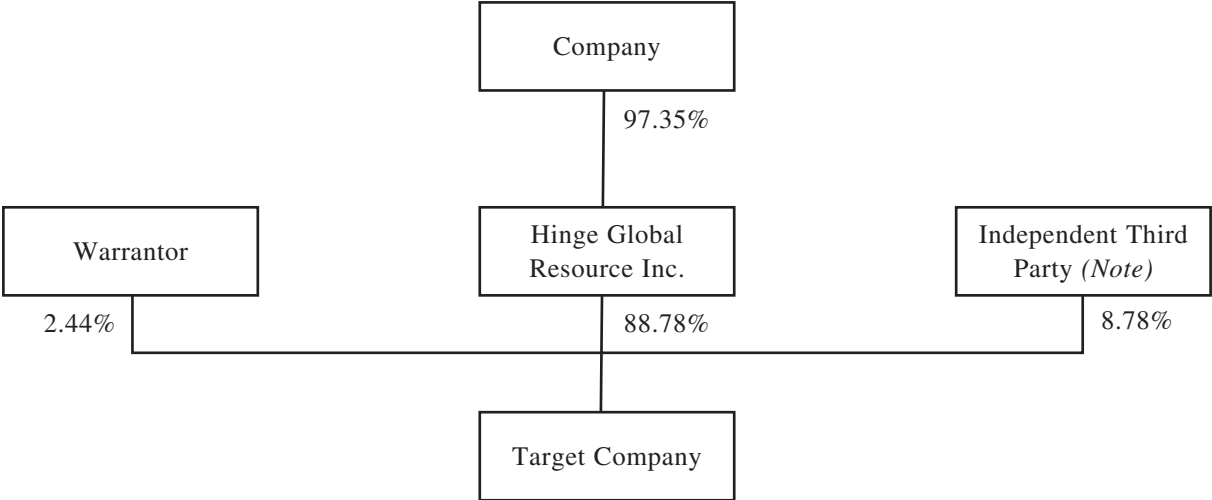
The Vendor is a limited liability company incorporated in the British Virgins Islands. Its principal business is investment holding. The Vendor is a wholly-owned subsidiary of the Warrantor.

The Warrantor is an investment company directly under the management of the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government specializing in asset management and investment in the field of information technology. Investment business mainly focuses in the three areas of strategic core assets operation, asset management (minority equity investment), and specialized technology service (responsible for governmental turnkey construction projects). It has a registered capital of RMB375 million.

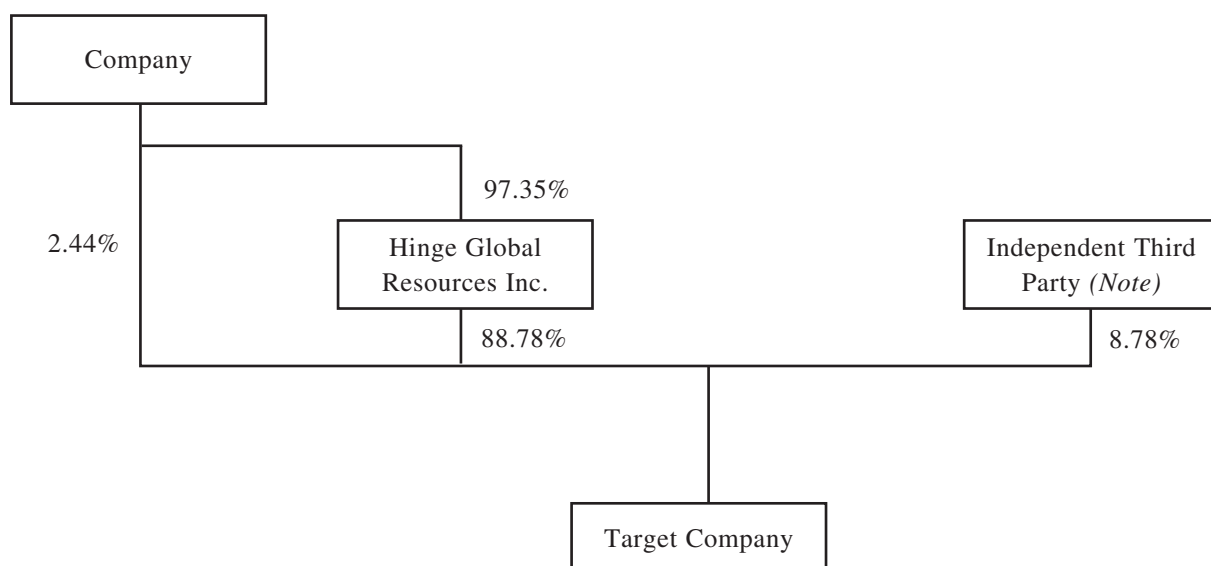
SHAREHOLDING STRUCTURE OF THE TARGET COMPANY

The diagrams below set out the shareholding structure of the Target Company (i) as at the date of this announcement; and (ii) immediately upon the Acquisition Completion:

As at the date of this announcement



Immediately upon the Acquisition Completion



Note: To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, holder of the remaining 8.78% equity interest in the Target Company is an Independent Third Party.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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 Target Company is one of the operating subsidiaries of the Group. It is the intention of the Group to gain greater control over the Target Company. Based on the above, the Directors consider that the Acquisition is on normal commercial terms and in the ordinary course of business of the Group, and that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming that (i) no Share will be issued and/or repurchased by the Company; and (ii) the shareholding structure of the Company remains the same from the date of this announcement up to and including the date of issue of 4,926,000 Consideration Shares pursuant to the Sale and Purchase Agreement, set out below is a table illustrating the shareholding structure of the Company of the following time:

- (1) as at the date of this announcement; and
- (2) immediately upon the issue of the 4,926,000 Consideration Shares pursuant to the Sale and Purchase Agreement

Name of the Shareholders	As at the date of this announcement		Immediately upon the issue of 4,926,000 Consideration Shares to the Vendor pursuant to the Sale and Purchase Agreement	
	Number of Shares held	%	Number of Shares held	%
Keen Insight Limited	335,076,453	19.51%	335,076,453	19.44%
<i>Directors</i>				
CHEN Yuhong	170,230,136	9.90%	170,230,136	9.88%
TANG Zhenming	11,747,765	0.68%	11,747,765	0.68%
JIANG Xiaohai	6,872,447	0.40%	6,872,447	0.40%
WANG Hui	6,277,838	0.37%	6,277,838	0.36%
ZHENG Zhijie	300,000	0.02%	300,000	0.02%
<i>Public Shareholders</i>				
The Vendor	0	0.00%	4,926,000	0.29%
Other public Shareholders	1,187,860,020	69.12%	1,187,860,020	68.93%
Total	<u>1,718,364,659</u>	<u>100.00%</u>	<u>1,723,290,659</u>	<u>100.00%</u>

LISTING RULES IMPLICATIONS

As each of the applicable percentage ratios in respect of the Acquisition is less than 5% and where the consideration of the Acquisition includes the issue of the Consideration Shares, the Acquisition constitutes a share transaction under the Listing Rules for the Company and is therefore required to publish an announcement under the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Interest by the Company from the Vendor on the terms and conditions of the Sale and Purchase Agreement
“Acquisition Completion”	completion of the Acquisition
“Acquisition Completion Date”	the day on which all the conditions precedent having been fulfilled or waived in accordance with the Sale and Purchase Agreement
“associate(s)”	as such term is defined under the Listing Rules
“Board”	the board of Directors
“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
“Consideration Shares”	4,926,000 new Shares to be allotted and issued by the Company to the Vendor within 30 days after the Acquisition Completion Date as the total consideration for the Acquisition
“Director(s)”	the director(s) of the Company
“Last Trading Day”	13 December 2012, being the trading day on which Shares were traded on the Stock Exchange immediately before the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 18 May 2012 (“ AGM Date ”) in respect of the issue up to 20% of the issued share capital of the Company as at the AGM 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
“Independent Third Party(ies)”	a party(ies) who is/are independent of and is/are not connected with any of the directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
“IT”	information technology
“percentage ratios”	as such term is defined under the Listing Rules
“Parties”	the parties to the Sale and Purchase Agreement, namely the Company, the Vendor and the Warrantor
“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
“Purchaser”	the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	the 2.44% equity interest in the Target Company
“Sale and Purchase Agreement”	the sale and purchase agreement dated 14 December 2012 and entered into between the Company as the purchaser, the Vendor as the seller and the Warrantor as the warrantor to the Vendor in relation to the Acquisition
“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)
“SH Intelligence Systems”	上海華騰智能系統有限公司 (Shanghai Huateng Intelligence Systems Company Limited**), a limited liability company incorporated in Shanghai, the PRC, being a 20%-owned associated company of the Target Company

“SH Information Technology”	上海華騰數據信息科技有限公司 (Shanghai Huateng Information Technology Company Limited**), a limited liability company incorporated in Shanghai, the PRC, being a 20%-owned associated company of the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suzhou Huateng”	蘇州華騰軟件系統有限公司 (Suzhou Huateng Software Systems Company Limited**), a limited liability company incorporated in Suzhou, the PRC, being a wholly-owned subsidiary of the Target Company
“Target Company”	上海華騰軟件系統有限公司 Shanghai Huateng Software Systems Co., Ltd., a sino-foreign joint venture established in the PRC and in which the Group has a beneficial interest of approximately 86.43% of its equity interest as at the date of this announcement
“Target Group”	Target Company, its subsidiary and associated companies
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor”	SII International Holding Limited, a limited liability company incorporated in the British Virgin Islands
“Warrantor”	上海市信息投資股份有限公司 (Shanghai Information Investment Inc.**), a limited liability company incorporated in Shanghai, the PRC
“%”	per cent.

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

14 December 2012, Hong Kong

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

Executive Directors:

Dr. CHEN Yuhong (*Chairman and Managing Director*)

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 = RMB0.8119 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*