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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 EQUITY INTEREST IN
CS&S CYBER RESOURCE SOFTWARE TECHNOLOGY
(TIANJIN) CO., LTD.**

The Vendors and the Purchaser had on 30 June 2006 entered into the Transfer Agreement pursuant to which the Vendors had agreed to sell the Sale Interest, and the Purchaser had agreed to purchase the Sale Interest at an aggregate consideration of HK\$36,604,338. The percentage equity interest in Cyber Resource held by the Group will increase from 26% to 76% upon completion of the Acquisition.

As the profits and revenue ratios calculated pursuant to Rule 19.07(4) of the GEM Listing Rules for the Acquisition exceed 5% but are less than 25% whilst the assets and consideration ratios are less than 5%, such transaction constitutes a discloseable transaction of the Company under the GEM Listing Rules. Cyber Resource will become a subsidiary of the Company upon Completion.

A circular containing, among other things, further information on the Acquisition will be despatched to the Shareholders as soon as practicable.

THE TRANSFER AGREEMENT DATED 30 JUNE 2006

1. The parties

Vendors : (1) Cyberware Information Technology Limited, and
(2) Prochoice Technology Limited.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, each of the Vendors and its ultimate beneficial owners are independent of the Company and its connected persons.

Purchaser : Chinasoft International (Hong Kong) Limited, a wholly-owned subsidiary of the Company.

2. Assets to be acquired

Pursuant to the Transfer Agreement, the Purchaser has conditionally agreed to acquire from each of Vendor A and Vendor B a 25% equity interest in Cyber Resource.

The holding structure of Cyber Resource at present is as follows:–

Shareholder	Percentage equity interest
Purchaser	26%
Vendor A	25%
Vendor B	25%
TEDA International	24%

After Completion, the holding structure of Cyber Resource will be as follows:–

Shareholder	Percentage equity interest
Purchaser	76%
TEDA International	24%

Cyber Resource will become a subsidiary of the Company upon Completion. Pursuant to the Transfer Agreement, the Purchaser shall be entitled to 76% of all the distributable profits of Cyber Resource after 31 December 2005.

Information on Cyber Resource

Cyber Resource is a sino-foreign equity joint venture established in the PRC with a registered capital of RMB5,000,000 (approximately HK\$4,807,692.31). The entire amount of the registered capital of Cyber Resource has been paid up. Cyber Resource is currently owned as to 25% by Vendor A, 25% by Vendor B, 26% by the Purchaser and 24% by TEDA International.

Cyber Resource, a domestic special software outsourcing business provider, has long-term stable clients of international repute and consistently provides them with secured software development, testing, call centre and a series of relevant technical services.

Financial information on Cyber Resource

Based on the audited accounts of Cyber Resource for the year ended 31 December, 2005 prepared in accordance with generally accepted accounting principles in the PRC, the audited net asset value of Cyber Resource as at 31 December 2005 was approximately RMB7,054,051 (approximately HK\$6,782,741.35). The audited profits before and after taxation and extraordinary items of Cyber Resource for the two year ended 31 December 2005 were as follows:–

	Year ended 31 December	
	2005	2004
	<i>RMB</i>	<i>RMB</i>
Profit before taxation and extraordinary items	8,137,115.22	4,861,734.84
Profit after taxation and extraordinary items	7,049,724.63	4,549,941.36

The unaudited profits before and after taxation and extraordinary items of Cyber Resource for the six months ended 30 June 2005 were RMB2,394,238.61 (approximately HK\$2,302,152.51) and RMB2,168,279.51 (approximately HK\$2,084,884.14) respectively.

The Consideration

The aggregate consideration for the Sale Interest is HK\$36,604,338 and a sum of HK\$18,302,169 (being 50% of the total consideration) shall be payable by the Purchaser to the each of the Vendors in cash as follows:

1. HK\$8,473,232 will be paid to each of the Vendors within 5 business days of the signing of the Transfer Agreement;
2. HK\$8,473,232 will be paid to each of the Vendors within 5 business days after the satisfaction of the Conditions and the change of registration at the Administration of Industry and Commerce in respect of the Acquisition under the Transfer Agreement; and
3. if the audited net profit of Cyber Resource for the six months ended 30 June 2006 has increased by 20% or more compared to the six months ended 30 June, 2005, a further amount of HK\$1,355,705 will be payable to each of the Vendors within 5 business days from the date of issue of the audited accounts of Cyber Resource for the year ending 31 December 2006.

The Company will arrange for preparation of the audited financial results of Cyber Resource for the year ending 31 December 2006 and for the six months ended 30 June 2006 respectively after 31 December 2006.

The consideration for the Acquisition was arrived at after arms length negotiations between the Vendors and the Purchaser by reference to (i) a 10 times price/earnings multiple of the audited net profit of Cyber Resource for the year ended 31 December 2005 (prepared in accordance with generally accepted accounting principles in the PRC) of approximately RMB7,049,724 (approximately HK\$6,778,580.77); (ii) the net profit of Cyber Resource for the six months ended 30 June 2006 taking into consideration a potential 20% growth compared with the same period during the previous year,

and, subject to such growth being achieved, an additional 0.8 times price/earnings multiple of the audited net profit of Cyber Resource for the year ended 31 December 2005 (prepared in accordance with generally accepted accounting principles in the PRC). The basis for referring to the price/earnings multiples under (i) and (ii) above in respect of the consideration for the Acquisition was arrived at as a result of commercial negotiations between the parties, and is regarded by the parties as a common basis for consideration of acquisitions of companies with sizes and businesses similar to Cyber Resource. Furthermore, the parties to the Transfer Agreement made reference to the net profit instead of the net asset value of Cyber Resource as Cyber Resource, due to the nature of its business, does not have substantial assets and its value is mainly reflected in its profit level.

The Consideration will be financed from internal resources of the Company.

3. Conditions

Completion is subject to the satisfaction of the following conditions:

- (i) completion by the Purchaser of the legal and financial due diligence on Cyber Resource to its satisfaction;
- (ii) that there has been no breach of any of the representations, warranties and undertakings given by each of the Vendors under the Transfer Agreement at the date of Completion;
- (iii) the issue of consent letters by the Vendors and TEDA International to the transfer of the Sale Interest;
- (iv) passing of resolutions by the board of directors of Cyber Resource for following matters, including but not limited to
 - (1) approval and consent to the Transfer Agreement;
 - (2) approval and consent to the new articles of association of Cyber Resource; and
 - (3) approval of (i) the Purchaser appointing 3 directors to act as executive directors of Cyber Resource in accordance with the new articles of association of Cyber Resource (i.e. one more director to be appointed by the Purchaser in addition to the two directors currently appointed by the Purchaser to Cyber Resource) and (ii) the directors appointed by the Purchaser acting as the legal representatives of Cyber Resource.
- (v) the obtaining of all approvals, consents and licenses necessary or reasonably required by the Purchaser for the Completion.

If the Conditions cannot be fulfilled (or waived by the Purchaser) within 6 months from the date of the Transfer Agreement (or such reasonable time as determined by the Purchaser), the Purchaser may terminate the Transfer Agreement. In such event, the first part of the consideration paid to each of the Vendors as stated above shall be forthwith returned to the Purchaser by each of the Vendors plus interest, and no party to the Transfer Agreement shall have any claim against or liability or obligation to the other party thereto save and except for antecedent breaches. As at the date of this Announcement, the Purchaser does not intend to waive any of the Conditions.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company plans to drastically expand its IT outsourcing services, and a number of Cyber Resource's clients, which include IBM, Motorola, Panasonic, Epson and HP, are strategic targets for the development of the Group. The business of Cyber Resource has grown steadily throughout the years and its profitability has remained high. This is strategically important to the development of the IT outsourcing business of the Group, and will also bring in a steady and long term return to the Group.

The Company already owns 26% of the equity interest in Cyber Resource and upon the Completion will own 76% of the equity interest in Cyber Resource. Pursuant to the Acquisition, the Company will gain greater control of Cyber Resource and will be able to more fully exploit the potential of Cyber Resource and coordinate the Group's plan towards strategic clients for its IT outsourcing business.

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

GENERAL

The Group is principally engaged in the provision of e-government solution, IT outsourcing services, IT consulting and training services.

Each of the Vendors is an investment holding company.

As the profits and revenue ratios calculated pursuant to Rule 19.07(4) of the GEM Listing Rules for the Acquisition exceed 5% but are less than 25% whilst the assets and consideration ratios are less than 5%, such transaction constitutes a discloseable transaction of the Company under the GEM Listing Rules. A circular containing, among other things, particulars of the Transfer Agreement will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

“Acquisition”	the acquisition of the Sale Interest by the Purchaser from the Vendors pursuant to the terms and conditions of the Transfer Agreement
“business day”	statutory working and business day in the PRC (excluding Saturdays and Sundays)
“Company”	Chinasoft International Limited, a company incorporated in Cayman Islands with limited liability, the Shares of which are listed on GEM
“Completion”	completion of the transfer of the Sale Interest pursuant to the Transfer Agreement
“Conditions”	the conditions precedent to the Completion, as more particularly set out under the section headed “Conditions” of this announcement

“Cyber Resource”	中軟賽博資源軟件技術(天津)有限公司 (CS&S Cyber Resource Software Technology (Tianjin) Co., Ltd., a sino-foreign equity joint venture established under the laws of the PRC
“Directors”	the directors of the Company
“GEM”	The Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM
“PRC”	the People’s Republic of China which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Chinasoft International (Hong Kong) Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Transfer Agreement”	the conditional agreement dated 30 June 2006 entered into between the Vendors and the Purchaser pursuant to which the Vendors have agreed to sell and the Purchaser has agreed to purchase the Sale Interest
“TEDA International”	天津泰達國際創業中心, a shareholder of Cyber Resource
“RMB”	Renminbi yuan
“Sale Interest”	50% equity interest in Cyber Resource (owned as to 25% by each of the Vendors) together with all the rights and obligations attaching thereto
“Shareholders”	holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor A”	Prochoice Technology Limited, a company incorporated in the British Virgin Islands and a shareholder of Cyber Resource
“Vendor B”	Cyberware International Technology Limited, a company incorporated in the British Virgin Islands and a shareholder of Cyber Resource
“Vendors”	Vendor A and Vendor B
“%”	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, 30 June 2006

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

Executive Directors:

Dr. Chen Yuhong (*Managing Director*)

Dr. Tang Zhengming

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*