

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.



中 软 国 际

CHINASOFT INTERNATIONAL LIMITED

中 软 国 际 有 限 公 司 *

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8216)

**MAJOR TRANSACTION
IN RELATION TO
HINGE GLOBAL RESOURCE INC.**

AND

RESUMPTION OF TRADING OF THE ORDINARY SHARES

Strategic Adviser to Chinasoft International Limited



The Acquisition

The Board is pleased to announce that on 2 January 2007, the Company entered into the Sale and Purchase Agreement whereby the Company has agreed to purchase, and the Selling Shareholders have agreed to accept the Offer to sell, an aggregate of 7,249,419 HGR Shares, representing approximately 96.61 per cent. of the HGR Shares in issue as at the date of this announcement, subject to the terms and conditions of the Sale and Purchase Agreement.

The Sale and Purchase Agreement has been entered into as a result of the Offer. The Offer has also been made to all other HGR Shareholders not signing the Sale and Purchase Agreement to acquire the remaining HGR Shares.

Prior to the Closing, HGR may issue additional HGR Shares to GPC with an aggregate value of US\$1.00 million (equivalent to approximately RMB7.80 million), but it shall not affect the amount of the Total Consideration, the number of Consideration Shares to be issued and the right of the Company to acquire the remaining HGR Shares compulsorily under the Companies Law. Such additional issue of the HGR Shares, if made, will only affect the percentages of shareholding amongst the HGR Shareholders.

The Total Consideration comprises the Share Purchase Price and the Earn-out Payment. The Total Consideration was determined after arm's length negotiations between the Company and the Selling Shareholders with reference to, among other things, the historical performance of the HGR Group and the expected earnings growth of the HGR Group in 2007.

Benefits of the Acquisition

The Directors consider that, following the Closing, the combination of the businesses of the Group and the HGR Group will become one of the major players in the software outsourcing industry in the PRC with a broader customer base focusing on different industries.

Compulsory purchase of the remaining HGR Shares

If the Company cannot acquire all the HGR Shares following the expiration of the Offer, the Company currently intends to exercise the compulsory purchase right under the Companies Law to acquire the remaining approximately 3.39 per cent. of the HGR Shares in issue as at the date of this announcement conditional upon the Closing.

Total Consideration

Assuming that the Company can acquire all the HGR Shares in issue, the aggregate of the Share Purchase Price and the Earn-out Payment shall not exceed US\$55.00 million (equivalent to approximately RMB429.00 million). Settlement of the Share Purchase Price and the Earn-out Payment will be at different stages involving a cash payment and the issue and allotment of the Consideration Shares at such percentages as determined by Company prior to the Closing Date, provided that the cash portion shall be no more than 30 per cent. and no less than 10 per cent. of the Total Consideration.

On the basis of the maximum Total Consideration of US\$55.00 million (equivalent to approximately RMB429.00 million) and that the Company chooses to pay a minimum amount of cash of US\$5.50 million (equivalent to approximately RMB42.90 million) as part of the Total Consideration, the maximum number of the Consideration Shares to be issued and allotted, at the minimum issue price of HK\$0.80 for each Consideration Share, for settlement of the Total Consideration is expected to be 482,625,000 Ordinary Shares, representing approximately 50.63 per cent. of the existing Shares in issue and approximately 33.61 per cent. of the Shares in issue as enlarged by the Consideration Shares issued at the minimum issue price of HK\$0.80 per Consideration Share.

Major transaction

Based on the applicable ratios set forth in Chapter 19 of the GEM Listing Rules, the Acquisition constitutes a major transaction under the GEM Listing Rules for the Company and hence, is subject to the approval of the Shareholders.

General information and the EGM

A circular containing, among other things, further details of the Acquisition and a notice of the EGM will be despatched to the Shareholders as soon as practicable and in compliance with the GEM Listing Rules.

Resumption of trading of the Ordinary Shares

At the request of the Company, trading of the Ordinary Shares on the Stock Exchange has been suspended effective from 9:30 a.m. on 12 December 2006 pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading of the Ordinary Shares effective from 9:30 a.m. on 8 January 2007.

THE SALE AND PURCHASE AGREEMENT

The Sale and Purchase Agreement has been entered into as a result of the Offer. The Offer has also been made to all other HGR Shareholders not signing the Sale and Purchase Agreement to acquire the remaining HGR Shares.

Date : 2 January 2007

Parties : The Company, *being the acquiror*;

The Selling Shareholders, *being the HGR Shareholders*; and

HGR.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Selling Shareholders and their respective directors and substantial shareholders (as such term is defined under the GEM Listing Rules) are independent of and not connected persons of the Company.

HGR Shares to be acquired

Pursuant to the Sale and Purchase Agreement, the Company has agreed to purchase, and the Selling Shareholders have agreed to accept the Offer to sell, an aggregate of 7,249,419 HGR Shares, representing approximately 96.61 per cent. of the HGR Shares in issue as at the date of this announcement.

Prior to the Closing, HGR may issue additional HGR Shares to GPC with an aggregate value of US\$1.00 million (equivalent to approximately RMB7.80 million) if the Share Purchase Price reaches US\$46.50 million (equivalent to approximately RMB326.70 million), but it shall not affect the amount of the Total Consideration, the number of Consideration Shares to be issued and the right of the Company to acquire the remaining HGR Shares compulsorily under the Companies Law. Such additional issue of the HGR Shares, if made, will only affect the percentages of shareholding amongst the HGR Shareholders.

The HGR Shares to be acquired by the Company, pursuant to the terms and conditions of the Sale and Purchase Agreement, shall be free from all encumbrances, claims, liabilities, demands, charges and all third parties' rights. Following the Closing, the Company shall hold approximately 96.61 per cent. of the HGR Shares in issue as at the date of this announcement. Hence, members of the HGR Group will become subsidiaries of the Company following the Closing.

Total Consideration and the down-payment

The Total Consideration comprises the Share Purchase Price and the Earn-out Payment. The Total Consideration was determined after arm's length negotiations between the Company and the Selling Shareholders with reference to, among other things, the historical performance of the HGR Group and the expected earnings growth of the HGR Group in 2007.

Pursuant to the Sale and Purchase Agreement, the Company shall make a down-payment of US\$3.00 million (equivalent to approximately RMB23.40 million), being part of the Share Purchase Price, to an escrow account designated by the Company within 15 days from the date of the Sale and Purchase Agreement.

If (i) the Shareholders do not approve at the EGM the Acquisition and the transactions contemplated thereunder; or (ii) the Closing cannot proceed with because the Selling Shareholders cannot sell more than 90 per cent. of the HGR Shares pursuant to the terms of the Sale and Purchase Agreement, the down-payment will be returned to the Company.

If, however, the Directors do not recommend the Acquisition and the transactions contemplated thereunder to the Shareholders in the circular to be dispatched to the Shareholders and the Shareholders do not approve the Acquisition and the transactions contemplated thereunder at the EGM, the down-payment will be released to the Selling Shareholders.

On the basis of the maximum Total Consideration of US\$55.00 million (equivalent to approximately RMB429.00 million) and that the Company chooses to pay a minimum amount of cash of US\$5.50 million (equivalent to approximately RMB42.90 million) as part of the Total Consideration, the maximum number of the Consideration Shares to be issued and allotted, at the minimum issue price of HK\$0.80 for each Consideration Share, for settlement of the Total Consideration is expected to be 482,625,000 Ordinary Shares, representing approximately 50.63 per cent. of the existing Shares in issue and approximately 33.61 per cent. of the Shares in issue as enlarged by the Consideration Shares issued at the minimum price of HK\$0.80 per Consideration Share.

THE OFFER

If the Company cannot acquire all the HGR Shares following the expiration of the Offer, the Company currently intends to exercise the compulsory purchase right under the Companies Law to acquire the remaining approximately 3.39 per cent. of the HGR Shares in issue as at the date of this announcement conditional upon the Closing.

COMPOSITION OF THE SHARE PURCHASE PRICE AND EARN-OUT PAYMENT

Assuming that the Company can acquire all the HGR Shares in issue, the aggregate of the Share Purchase Price and the Earn-out Payment shall not exceed US\$55.00 million (equivalent to approximately RMB429.00 million). Settlement of the Share Purchase Price and the Earn-out Payment will be at different stages involving a cash payment and the issue and allotment of the Consideration Shares at such percentages as determined by the Company prior to the Closing Date provided that the cash portion shall be no more than 30 per cent. and no less than 10 per cent. of the Total Consideration. The Selling Shareholders may elect to receive their respective Share Purchase Price and Earn-out Payment by (i) Consideration Shares in full; or (ii) Consideration Shares and cash on a *pro rata* basis amongst the other HGR Shareholders on the same percentages as determined by the Company after taking into consideration the election of GPC and the amount of cash payable to the HGR Shareholders other than the Selling Shareholders. HGR Shareholders other than the Selling Shareholders will only receive cash for their respective entitlement to the Share Purchase Price and Earn-out Payment. In this connection, GPC has elected its entire entitlement to the Total Consideration to be settled by way of the Consideration Shares with the remaining Selling Shareholders to be settled by cash and the Consideration Shares on a *pro rata* basis, subject to such adjustments as approved by the Company prior to the Closing, within the overall percentages of cash and the Consideration Shares to be determined by the Company.

Further announcement(s) will be made by the Company disclosing, among other things, the shareholding structure of HGR as at the Closing Date and the updated shareholding structure of the Company (i) immediately after the issuance of the Consideration Shares as part of the Share

Purchase Price but before making the Earn-out Payment; and (ii) immediately after the issuance of the Consideration Shares as part of the Share Purchase Price and the Earn-out Payment, as and whenever appropriate.

The following table illustrates the situation where the Company chooses to pay a minimum cash amount as part of the maximum Total Consideration, which will result in a corresponding increase in the aggregate value of the Consideration Shares.

	Total Consideration		Total
	Cash	Aggregate value of the Consideration Shares	
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
Maximum Share Purchase Price (<i>Note 2</i>)	5.00 <i>(Note 3)</i>	45.00 <i>(Note 3)</i>	50.00 <i>(Note 1)</i>
Earn-out Payment (<i>Notes 4 & 5</i>)	0.50 <i>(Note 6)</i>	4.50 <i>(Note 6)</i>	5.00
Total	5.50	49.50	55.00

Notes :-

1. The Share Purchase Price shall be equal to 15.5 times the 2006 Net Profit provided that it shall not be less than US\$25.00 million (equivalent to approximately RMB195.00 million) and not more than US\$50.00 million (equivalent to approximately RMB390.00 million.).
2. Pursuant to the Sale and Purchase Agreement, at the Company's discretion, no more than 30 per cent. and no less than 10 per cent. of the Share Purchase Price shall be settled by way of cash and the remaining balance shall be satisfied by the issue and allotment of the Consideration Shares on the Closing Date. Subject to a minimum price of HK\$0.80 for each Consideration Share, the issue price of each Consideration Share shall be determined based on the lower of the average of the daily closing price of the Ordinary Shares as quoted on GEM (i) for a period of 30 trading days up to the date immediately before the date of announcement of the annual results of the Company for the financial year ending 31 December 2006; and (ii) for a period of 45 trading days up to 11 December 2006, being the last trading day of the Ordinary Shares on GEM prior to the issue of this announcement, which is HK\$1.44 per Consideration Share. This is also the maximum issue price of the Consideration Shares in relation to the Share Purchase Price.
3. This is on the assumption that the Company chooses to pay a minimum amount of cash under the maximum Share Purchase Price. Hence, such number of the Ordinary Shares representing US\$45.00 million (equivalent to approximately RMB351.00 million) shall be satisfied by the issue and allotment of the Consideration Shares and the remaining balance of US\$5.00 million (equivalent to approximately RMB39.00 million) by way of cash.
4. In the event that the 2007 Net Profit is no less than US\$3.16 million (equivalent to approximately RMB24.65 million), the Company has agreed to pay the Earn-out Payment to the HGR Shareholders, which shall be equal to 15.5 times the 2007 Net Profit (on the basis that the 2007 Net Profit is no less than US\$3.16 million) minus the Share Purchase Price, provided that the Total Consideration shall not exceed US\$55.00 million (equivalent to approximately RMB429.00 million). If the 2007 Net Profit is less than US\$3.16 million, no Earn-out Payment will be made.

5. Pursuant to the Sale and Purchase Agreement, at the Company's discretion, no more than 30 per cent. and no less than 10 per cent. of the Earn-out Payment shall be settled by way of cash and the remaining balance shall be satisfied by the issue and allotment of the Consideration Shares on the first Business Day falling 15 days after the date of approval of the audited consolidated accounts of the HGR Group for the financial year ending 31 December 2007 by the board of directors of HGR. Subject to a minimum price of HK\$0.80 for each Consideration Share, the issue price of each Consideration Share shall be determined based on the average of the daily closing price of the Ordinary Shares as quoted on GEM for a period of 30 trading days up to the date immediately before the date of approval of the annual results of the HGR Group for the financial year ending 31 December 2007 by the board of directors of HGR.
6. This is on the assumption that the Company chooses to pay a minimum amount of cash for the Earn-out Payment. Hence, such number of the Ordinary Shares representing US\$4.50 million (equivalent to approximately RMB35.10 million) shall be satisfied by the issue and allotment of the Consideration Shares and the remaining balance of US\$0.50 million (equivalent to approximately RMB3.90 million) by way of cash.
7. The maximum amount of cash to be paid as the Total consideration is approximately US\$16.50 million (equivalent to approximately RMB128.70 million).

The proposed issue and allotment of the Consideration Shares will trigger the pre-emptive right on the part of holders of the Series A Preferred Shares to purchase on a *pro rata* basis the Ordinary Shares but will not result in any adjustment to the conversion price of the Series A Preferred Shares. Each holder of the Series A Preferred Shares has agreed to waive its pre-emptive right in relation to the issue of the Consideration Shares.

STATUS OF THE CONSIDERATION SHARES

The Consideration Shares shall rank *pari passu* in all respects with the existing Ordinary Shares in issue, including the rights to receive in full all dividends and other distributions declared after the respective dates of allotment of the Consideration Shares. Ordinary resolutions will be proposed at the EGM to seek a specific approval from the Shareholders on the Acquisition and the issue and allotment of the maximum number of the Consideration Shares as part of the Total Consideration.

An application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

The Consideration Shares are subject to a moratorium period commencing from the relevant dates of issue of the Consideration Shares and ending on the date of the Earn-out Payment.

CONDITIONS TO THE CLOSING

Pursuant to the Sale and Purchase Agreement, the Closing is conditional upon the fulfillment or to the applicable extent, the waiver of, inter alia, the following Conditions:–

- (a) the Company obtaining the approval from the Shareholders at the EGM for the transactions contemplated under the Sale and Purchase Agreement in accordance with the requirements under the GEM Listing Rules or the Stock Exchange;
- (b) the Listing Committee approving the listing of, and permission to deal with, the Consideration Shares to be issued pursuant to the Sale and Purchase Agreement on GEM;

- (c) the representations and warranties set forth in the Sale and Purchase Agreement being true and correct in all material respects when made;
- (d) all parties to the Sale and Purchase Agreement shall have performed and complied in all aspects with all agreements, obligations and conditions contained in all the documents relating to the Acquisition that are required to be performed or complied with by any of them on or before the Closing;
- (e) not less than 90 per cent. of the 571,346 options granted by HGR to employees of the HGR Group shall have been cancelled in full;
- (f) there being no matter, event or circumstance in relation to any member of the HGR Group or their respective businesses which was in existence as at the date of the Sale and Purchase Agreement but was not disclosed to the Company on or before that date, which would have a material adverse effect to the business of the HGR Group as a whole; and
- (g) such other conditions set forth in the Sale and Purchase Agreement relating to certain matters shall have been dealt with to the satisfaction of the Company.

The parties to the Sale and Purchase Agreement have agreed to use their respective best endeavors to procure fulfillment of the Conditions on or before 30 September 2007. HGR has also agreed to use its best endeavors to procure that all options issued by each member of the HGR Group shall have been cancelled prior to the Closing.

If any of the Conditions has not been fulfilled or waived by the Company on or before 30 September 2007, the Sale and Purchase Agreement shall then lapse and no party shall have any claim against the other save for claim (if any) in respect of any of the antecedent breaches of the Sale and Purchase Agreement. As at the date of this announcement, the Company does not have the intention to waive any of the Conditions.

CLOSING AND ARRANGEMENTS PRIOR TO THE CLOSING

Pursuant to the Sale and Purchase Agreement, the Closing shall take place on the later of:–

- (a) the third Business Day after satisfaction of the Condition set forth in (a) above;
- (b) the first Business Day within fifteen (15) calendar days after the date on which the audited consolidated accounts of the HGR Group for the financial year ending 31 December 2006 are approved by the board of directors of HGR;
- (c) such other date as agreed by the Company and HGR and the Selling Shareholders.

Prior to the Closing, pursuant to the Sale and Purchase Agreement, the Company shall determine the percentages of cash payment and the number of the Consideration Shares shall be made to satisfy the Share Purchase Price.

Prior to the Closing, pursuant to the Sale and Purchase Agreement, all major decisions involving financial commitment on the part of the HGR Group shall be approved by a committee to be established with members nominated by the Company, certain HGR Shareholders and HGR. Representative of the Company has a casting vote in all decisions of the committee.

Prior to the Closing, pursuant to the Supplement Agreement, HGR may issue additional HGR Shares to GPC with an aggregate value of US\$1.00 million (equivalent to approximately RMB7.80 million) if the Share Purchase Price reaches US\$46.50 million (equivalent to approximately RMB362.70 million). The cash received from the newly allotted and issued HGR Shares will be issued to GPC will be applied by members of the HGR Group to provide monetary incentive to certain of its key employees. This arrangement will not affect the amount of the Total Consideration.

The Directors are of the view that the above arrangements are intended to provide additional flexibility to the management of the HGR Group in response to the changing market conditions, given that there will be a certain period of time between the date of the Agreements and the Closing Date.

An announcement will be made by the Company upon the Closing on the number of the Consideration Shares issued and allotted and such other information as required by the Stock Exchange.

NON-COMPETITION UNDERTAKINGS GIVEN BY CERTAIN SELLING SHAREHOLDERS

Pursuant to the Supplemental Agreement, upon the Closing, each of the Principal Shareholders and their associates shall undertake, jointly and severally, to the Company that, for a period of two (2) years after the Closing Date, each of them shall not, and shall procure that his or its associates shall not, either on its/his own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly, be interested or engaged in or acquire or hold in any business activity that directly competes with that of the Group and the HGR Group in the areas of:–

- (a) software outsourcing business for banks and financial institutions; and
- (b) software outsourcing business which is originated outside the Greater China region.

The above restriction will not be applicable to any holding by the Principal Shareholders in any listed company or other entity of not more than five (5) per cent.

LOCK-UP PERIOD OF THE CONSIDERATION SHARES

Pursuant to the Sale and Purchase Agreement, each of the Selling Shareholders undertakes that for a period commencing from the date of issue of the Consideration Shares and ending on the date of the Earn-out Payment, each of them shall not sell any such Consideration Shares without the prior written consent of the Board.

During the lock-up period, the Selling Shareholders may dispose of their Consideration Shares to institutional investors as part of any private placement transaction approved by the Board.

PRE-EMPTIVE RIGHT AND REGISTRATION RIGHTS

Pursuant to the Supplemental Agreement, the Company has agreed to grant to GPC a pre-emptive right in the event that the Company proposes to offer any shares of, or securities convertible into or exchangeable

or exercisable for any shares of, any class of its share capital to any subscribers. The pre-emptive right shall not be applicable to any issue by the Company of:–

- (a) any Ordinary Shares issued or issuable upon conversion of the preferred shares comprising the share capital of the Company;
- (b) any Ordinary Shares issued pursuant to the exercise of options granted or to be granted under the share option scheme adopted by the Company;
- (c) any share split, share dividend, recapitalization of the Company or similar transaction for which proportional adjustments are made;
- (d) any Ordinary Shares issued in an underwritten public offering ; and
- (e) any Ordinary Shares to be issued pursuant to the general mandate granted or to be granted to the Directors, pursuant to the requirements under the GEM Listing Rules, to the extent that such new issue of the Ordinary Shares shall not exceed 15 per cent. of the total issued share capital of the Company, provided that the 15 per cent. threshold shall be dispensed with in the event that none of the Series A Preferred Shares remain in issue.

The exercise of the pre-emptive right by GPC shall be subject to the approval of the independent Shareholders.

GPC shall also have the registration rights in respect of the Ordinary Shares held by it in the event that the Company is seeking listing of the Ordinary Shares in the stock market in the US.

OTHER PRINCIPAL TERMS

Before the Closing:–

Mr. LEI Hongsang, currently the chairman and a director of HGR, and Mr. WANG Xi, currently the president, the chief executive officer and a director of HGR, shall be nominated as the observers on the Board from the date of the Sale and Purchase Agreement.

From the date of the Sale and Purchase Agreement, the Company shall be entitled to appoint four observers on the board of directors of each member of the HGR Group. The observers appointed shall have unlimited right of access to all records of all members of the HGR Group. Upon Closing, the observers appointed shall be nominated and appointed as the directors of the relevant member of the HGR Group.

Following the Closing:–

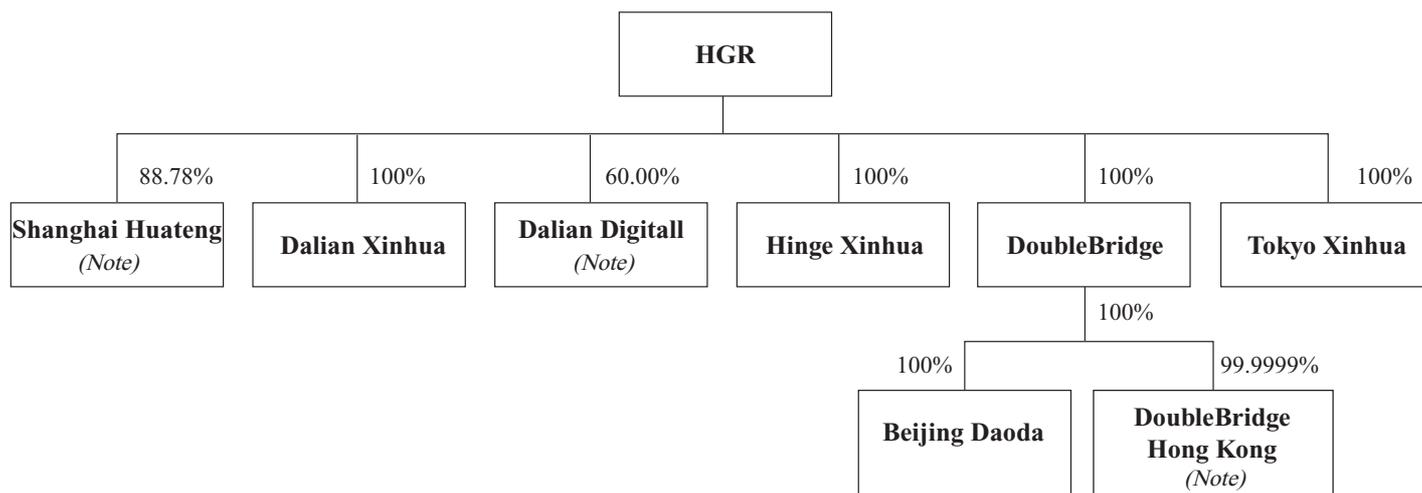
- (a) the Company shall nominate a majority of the directors to be appointed to the board of directors of each member of the HGR Group;
- (b) Mr. LEI Hongsang shall be nominated as a non-executive Director. Mr. WANG Xi, the chief executive officer and a director of HGR, shall be nominated as an executive Director and designated as the “Co-CEO” of the Group;

- (c) GPC shall be entitled to appoint an observer to the Board; and
- (d) certain senior management staff of the HGR Group shall enter into service contracts with members of the HGR Group upon terms and conditions approved by the Company.

INFORMATION ON THE HGR GROUP

Business activities

The principal activity of HGR is investment holding and its business activities are carried out by its eight subsidiaries. The table below sets out of the group structure of the HGR Group:–



Note: To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, holders of the remaining 11.22% equity interest of Shanghai Huateng, 40.00% equity interest of Dalian Digital and 0.0001% of DoubleBridge Hong Kong are parties independent of the Company and not connected persons of the Company.

The following sets forth a brief description of the business activities of each member of the HGR Group:–

Shanghai Huateng

HGR acquired its equity interest in Shanghai Huateng in September 2005. Shanghai Huateng is headquartered in Shanghai and with branch offices in Beijing and Guangzhou. It 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 had approximately 437 employees as at 30 June 2006.

Dalian Xinhua

HGR acquired its equity interest in Dalian Xinhua in September 2005. Dalian Xinhua is headquartered in Dalian Software Park and is principally engaged in the provision of software development outsourcing services to the Japanese market. It specializes in the architectural CAD design for telecommunications and engineering industries and its end customers include large companies such as Meitec Corporation and NTT Communications Corporation. Dalian Xinhua's outsourcing business is mainly contracted through

Tokyo Xinhua, the marketing arm of HGR for the Japanese market. It had approximately 460 employees as at 30 June 2006.

Dalian Digitall

HGR acquired its equity interest in Dalian Digitall in September 2005. Dalian Digitall is headquartered in Dalian and is principally engaged in the provision of software development outsourcing services to the Japanese market. It specializes in the production of CAD design for various industries including IT, business solution providers and professional staffing and services and its only end customer is CDI Corporation one of the shareholders of Dalian Digitall. It had approximately 120 employees as at 30 June 2006.

Hinge Xinhua

HGR set up Hinge Xinhua in February 2006 which is currently dormant.

DoubleBridge

HGR acquired its equity interest in DoubleBridge in January 2006. DoubleBridge is headquartered in Princeton, New Jersey, the US with offices in Boston, Toronto, Paris and Hong Kong. It also established development centers in the PRC through the incorporation of a wholly-owned subsidiary, Beijing Daoda. DoubleBridge provides software consulting and development services to pharmaceutical, financial services, healthcare, software development and telecommunication companies. With its global infrastructure support, DoubleBridge has the ability and flexibility to deploy services onshore, offshore, near-shore, offshore-onshore to companies in North America, Japan and Europe. DoubleBridge has customers specializing in different industries including leading industry enterprises such as Pfizer Inc. and Sanofi-aventis Pharmaceuticals, Inc. in the pharmaceutical industry, as well as Bank of China in the finance industry. DoubleBridge uses Beijing Daoda, its wholly owned subsidiary, as its offshore development center to deliver some software consulting and development services to its client. It had approximately 35 employees as at 30 June 2006.

Beijing Daoda

Beijing Daoda is a wholly-owned subsidiary of DoubleBridge. HGR acquired its interest in Beijing Daoda, through its acquisition of the entire equity interest in DoubleBridge, in January 2006. Located in Beijing, Beijing Daoda is the development center of DoubleBridge, which undertakes outsourcing software development services from DoubleBridge. Apart from that, it is also engaged in the provision of software development, software consulting and integration services to companies in the finance and pharmaceutical industries and its end customers include DoubleBridge and Viador Inc.. Beijing Daoda had approximately 58 employees as at 30 June 2006.

DoubleBridge Hong Kong

DoubleBridge Hong Kong is a subsidiary of DoubleBridge and is currently dormant.

Tokyo Xinhua

HGR acquired its equity interest in Tokyo Xinhua in September 2005. Tokyo Xinhua is headquartered in Tokyo, Japan. It is the marketing arm of the HGR Group for the Japanese market. It had approximately 7 employees as at 30 June 2006.

Financial information

Based on the unaudited consolidated accounts of HGR Group for the period from 28 June 2005 (being the date of incorporation of HGR) to 31 December 2005 (as adjusted to HKFRS), the net asset value of HGR Group as at 31 December 2005 was approximately RMB34.22 million. The unaudited consolidated net profit before and after taxation of HGR Group for the period from 28 June 2005 (being the date of incorporation of HGR) to 31 December 2005 were approximately RMB0.73 million and RMB0.39 million, respectively.

The following summarizes the unaudited financial information of each of the members of the HGR Group (as adjusted to HKFRS):

	For the year ended 31 December 2005		As at 31 December 2005
	Net profit before tax	Net profit after tax	Net asset value
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
HGR (<i>Note 1</i>)	0	0	31.61
Shanghai Huateng	5.02	5.03	26.02
Dalian Xinhua	1.93	1.87	3.80
Dalian Digitall	0.41	0.41	1.40
DoubleBridge (<i>Note 2</i>)	0.58	0.46	1.61
Tokyo Xinhua	0.36	0.35	1.20

Notes:—

- (1) For the period from 28 June 2005 (being the date of incorporation of HGR) to 31 December 2005; and
- (2) Consolidated with the financial statements of Beijing Daoda and DoubleBridge Hong Kong, both of which are the subsidiaries.

Based on the unaudited consolidated accounts of the HGR Group (as adjusted to HKFRS) for the six months ended 30 June 2006, the unaudited consolidated net profits before and after taxation of HGR Group for the period from 1 January 2006 to 30 June 2006 were approximately RMB8.63 million and RMB8.05 million respectively.

An accountants' report on the HGR Group will be prepared by an independent firm of accountants and be disclosed in the circular to the Shareholders in accordance with the GEM Listing Rules.

Biographical details of proposed Directors following the Closing

Mr. LEI Hongsang, aged 47, is the chairman of HGR. Prior to joining HGR, Mr. LEI was the president of EC-Founder (Holdings) Company Limited, a company listed on the Main Board, from June 2000 to August 2002. Mr. LEI served as the senior vice president of Founder (Hong Kong) Limited and president of

Beijing Founder Electronics Company Limited, both of which are subsidiaries of Founder Holdings Limited, a company listed on the Main Board, from May 1999 to June 2000. Mr. LEI spent 12 years at Hewlett – Packard (China) in a series of management positions from 1987 to 1999. Mr. LEI holds a Bachelor of Science degree from the University of Hong Kong.

Mr. WANG Xi, aged 44, is president and chief executive officer of HGR. Mr. WANG has 16 years of experience as an IT professional. Mr. WANG founded several successful start-up companies, led the turn-around of NASDAQ listed company, and has extensive experience in mergers and acquisitions and business integrations. Mr. WANG also served as the President, then later chairman of America Multi-Technology Association 亞美科技商業協會, an Asia American IT business association in Silicon Valley and Beijing, China, from January, 2004 to December, 2005. Mr. WANG started his career as a software engineer at Oracle in 1990. In 1995, Mr. WANG co-founded his first software company in Silicon Valley, Viador, Inc. as its chief executive officer, whose shares were subsequently listed on NASDAQ in October 1999. After leaving Viador Inc. in 2000, Mr. WANG started his endeavor in China. Mr. WANG rejoined Viador Inc in October, 2001. as chief executive officer, and subsequently managed his first turn-around of a public company. He took Viador private and focused its business growth in China. Mr. WANG gained a Bachelor of Science degree in Electrical Engineering from Tsing Hua University in Beijing in 1985, a Masters of Science degree in Mathematics from Oregon State University in 1989 and a Masters of Science degree in Mechanical Engineering from California Institute of Technology in 1990.

INFORMATION OF THE SELLING SHAREHOLDERS

The principal business activities of all the Selling Shareholders which are companies or entities, namely GPC, Scube Systems Limited, China Tiger Investments Limited, Easy Win Technology Limited, Pine Flower River Inc., XFY Limited, Genius Investments Company Limited, IDG Technology Venture Investments, LP and China GIWIN Investments Limited are investment holding.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company, and the subsidiaries of the Company are principally engaged in different kinds of IT businesses, ranging from the provision of e-government solutions, IT consulting and training services and IT outsourcing services.

The Group's existing market is the PRC, with PRC government authorities and other state owned enterprises as its major clients. The provision of e-government solutions accounted for approximately 79 per cent. of the Group's total revenue for each of the two years ended 31 December 2005.

The Group intends to expand its IT business activities, in particular IT outsourcing services, both organically and by way of acquisitions.

Leveraging on the established infrastructure, management expertise and professional knowledge of IT outsourcing and customer base of HGR Group, the Directors expect that the Acquisition will bring to the Group the following strategic benefits:–

1. expand the Group's geographical reach into overseas markets such as Japan and strengthen its US and PRC domestic presence;
2. broaden the Group's multinational customer base;
3. enhance the Group's expertise with a focus on new commercial sectors, such as banking, financial services and pharmacy; and

4. enable the Group to become one of the leading IT service companies in the PRC in terms of headcount.

Following the Closing, the combination of the businesses of the Group and the HGR Group will become a major development milestone of the Group, by enhancing its software outsourcing capacity in the PRC with a broad customer base in different industries.

BASIS OF THE TOTAL CONSIDERATION

The consideration for the Acquisition was determined after arm's length negotiations between the Company and the Selling Shareholders. The Directors have also taken into account the following factors:–

1. the historical results of each member of the HGR Group for the periods ended 31 December 2005 (as the case may be);
2. the prospective earnings of the HGR Group for the financial years ending 31 December 2006 and 2007;
3. the consolidated net assets of the HGR Group as at 31 December 2005;
4. the domain and vertical knowledge and clientele of the HGR Group; and
5. HGR's experienced management and its IT outsourcing team.

To finance its acquisition plans, the Company initially raised US\$20 million (equivalent to approximately RMB156 million) through the issuance of Series A Preferred Shares in December 2005.

The Directors consider that the Agreements were entered into on normal commercial terms and in the ordinary course of business of the Company, and that the terms of the Agreements are fair and reasonable and in the interests of the Company as a whole.

SHAREHOLDING STRUCTURE OF THE COMPANY BEFORE AND AFTER THE ACQUISITION

Following the Closing and assuming that (i) the Company has acquired all the HGR Shares; (ii) the Consideration Shares will satisfy GPC's entire entitlement in full to the Total Consideration before all other HGR Shareholders; (iii) the cash portion of the Total Consideration will satisfy the entire entitlement to HGR Shareholders other than the Selling Shareholders in full before the applicable Selling Shareholders; (iv) the Selling Shareholders other than GPC, which has elected to have its entire entitlement in the form of Consideration Shares, will elect to have their entitlement to the Total Consideration to be satisfied by the Consideration Shares and cash on a *pro rata* basis amongst other HGR Shareholders on the same percentage as determined by the Company after taking into consideration the election of GPC and the amount of cash payable to the HGR Shareholders other than the Selling Shareholders; (v) all the options granted by HGR to employees of the HGR Group shall have been cancelled in full; and (vi) all outstanding warrants of HGR shall have been exercised in full.

Based on the above assumptions, the following table illustrates the shareholding structure of the Company as at the date of this announcement and the expected shareholding structure (i) immediately after the issuance of the maximum possible number of Consideration Shares as part of the Share Purchase Price but before making the Earn-out Payment; and (ii) immediately after the issuance of the maximum possible number of Consideration Shares as part of the Share Purchase Price and the Earn-out Payment:–

At HK\$0.80 per Consideration Share (Note 1)

Name of Shareholders	As at the date of this announcement		immediately after the issuance of the maximum possible number of Consideration Shares as part of the Share Purchase Price but before making the Earn-out Payment (Note 3)		immediately after the issuance of the maximum possible number of Consideration Shares as part of the Share Purchase Price and the Earn-out Payment (Note 4)	
	Number of Ordinary Shares/ Series A Preferred Shares	%	Number of Ordinary Shares/ Series A Preferred Shares	%	Number of Ordinary Shares/ Series A Preferred Shares	%
<i>Ordinary Shares</i>						
CS&S (HK)	199,010,755	20.88	199,010,755	13.86*	199,010,755	16.62
Far East	150,129,822	15.75	150,129,822	10.46*	150,129,822	12.54
Dr. Chen Yuhong	22,967,472	2.41	22,967,472	1.60*	22,967,472	1.92
Dr. Cui Hui	20,000,000	2.10	20,000,000	1.39*	20,000,000	1.67
Mr. Wang Hui	7,017,838	0.74	7,017,838	0.49*	7,017,838	0.59
Dr. Tang Zhenming	10,207,765	1.07	10,207,765	0.71*	10,207,765	0.85
<i>Selling Shareholders</i>						
Greater Pacific Capital Ltd	198,254,204	14.24	218,079,624	15.19*	110,141,224	9.20
Seabe Systems Limited	64,750,733	4.65	71,225,806	4.96	35,972,629	3.01
China Tiger Investments Limited	4,204,761	0.30	4,625,237	0.32	2,335,978	0.20
Easy Win Technology Limited	9,548,426	0.69	10,503,269	0.73	5,304,681	0.44
Pine Flower River Inc.	43,576,624	3.13	47,934,287	3.34*	24,209,236	2.02
XFY Limited	46,987,340	3.38	51,686,074	3.60	26,104,078	2.18
Genius Investments Company Limited	14,725,187	1.06	16,197,705	1.13*	8,180,659	0.68
George WU	10,136,867	0.73	11,150,554	0.78	5,631,593	0.47
Daniel RUAN	1,584,260	0.11	1,742,686	0.12	880,145	0.07
Biliang HU	4,937,064	0.35	5,430,771	0.38	2,742,813	0.23
IDG Technology Venture Investments, LP	8,321,239	0.60	9,153,363	0.64	4,622,911	0.39
China GIWIN Investments Limited	31,723,295	2.28	34,895,624	2.43*	17,624,053	1.47
Other Public	349,483,824	36.66	349,483,824	24.34	349,483,824	29.19
Total Ordinary Shares	758,817,476	79.60	1,197,567,476	86.45	1,002,567,476	83.75
<i>Series A Preferred Shares</i>						
Microsoft Corporation	97,250,000	10.20	97,250,000	6.77	97,250,000	8.12
International Finance Corporation	97,250,000	10.20	97,250,000	6.77	97,250,000	8.12
Total Series A Preferred Shares	194,500,000	20.40	194,500,000	13.55	194,500,000	16.25
TOTAL	953,317,476	100.00	1,392,067,476	100.00	1,197,067,476	100.00
Percentage of Shares held by the public after the Closing and the Earn-out Payment				49.41		61.98

* Shareholders which are not public

At HK\$1.44 per Consideration Share (Note 2)

Name of Shareholders	As at the date of this announcement		immediately after the issuance of the maximum possible number of Consideration Shares as part of the Share Purchase Price but before making the Earn-out Payment (Note 3)		immediately after the issuance of the maximum possible number of Consideration Shares as part of the Share Purchase Price and the Earn-out Payment (Note 4)	
	Number of Ordinary Shares/ Series A Preferred Shares	%	Number of Ordinary Shares/ Series A Preferred Shares	%	Number of Ordinary Shares/ Series A Preferred Shares	%
<i>Ordinary Shares</i>						
CS&S (HK)	199,010,755	20.88	199,010,755	13.86*	199,010,755	16.62
Far East	150,129,822	15.75	150,129,822	10.46*	150,129,822	12.54
Dr. Chen Yuhong	22,967,472	2.41	22,967,472	1.60*	22,967,472	1.92
Dr. Cui Hui	20,000,000	2.10	20,000,000	1.39*	20,000,000	1.67
Mr. Wang Hui	7,017,838	0.74	7,017,838	0.49*	7,017,838	0.59
Dr. Tang Zhenming	10,207,765	1.07	10,207,765	0.71*	10,207,765	0.85
<i>Selling Shareholders</i>						
Greater Pacific Capital Ltd	198,254,204	14.24	218,079,624	15.19*	110,141,224	9.20
Seabe Systems Limited	64,750,733	4.65	71,225,806	4.96	35,972,629	3.01
China Tiger Investments Limited	4,204,761	0.30	4,625,237	0.32	2,335,978	0.20
Easy Win Technology Limited	9,548,426	0.69	10,503,269	0.73	5,304,681	0.44
Pine Flower River Inc.	43,576,624	3.13	47,934,287	3.34*	24,209,236	2.02
XFY Limited	46,987,340	3.38	51,686,074	3.60	26,104,078	2.18
Genius Investments Company Limited	14,725,187	1.06	16,197,705	1.13*	8,180,659	0.68
George WU	10,136,867	0.73	11,150,554	0.78	5,631,593	0.47
Daniel RUAN	1,584,260	0.11	1,742,686	0.12	880,145	0.07
Biliang HU	4,937,064	0.35	5,430,771	0.38	2,742,813	0.23
IDG Technology Venture Investments, LP	8,321,239	0.60	9,153,363	0.64	4,622,911	0.39
China GIWIN Investments Limited	31,723,295	2.28	34,895,624	2.43*	17,624,053	1.47
Other Public	349,483,824	36.66	349,483,824	24.34	349,483,824	29.19
Total Ordinary Shares	758,817,476	79.60	1,197,567,476	86.45	1,002,567,476	83.75
<i>Series A Preferred Shares</i>						
Microsoft Corporation	97,250,000	10.20	97,250,000	6.77	97,250,000	8.12
International Finance Corporation	97,250,000	10.20	97,250,000	6.77	97,250,000	8.12
Total Series A Preferred Shares	194,500,000	20.40	194,500,000	13.55	194,500,000	16.25
TOTAL	953,317,476	100.00	1,392,067,476	100.00	1,197,067,476	100.00
Percentage of Shares held by the public after the Closing and the Earn-out Payment				49.41		61.98

* Shareholders which are not public

Notes:

1. This is the minimum issue price of each Consideration Share.
2. This is the average daily closing price of the Ordinary Shares as quoted on the daily quotation sheet of the Stock Exchange for a period of 45 trading days up to 11 December 2006, being the last trading day prior to the issue of this announcement. This is also the maximum issue price of the Consideration Shares in relation to the Share Purchase Price.
3. For illustration purposes, 90 per cent. of the maximum possible amount of Share Purchase Price of US\$50 million, which is equal to US\$45.00 million (equivalent to approximately RMB351.00 million) shall be satisfied by the allotment of the Consideration Shares and the remaining balance by way of cash.
4. For illustration purposes, assuming the maximum possible Share Purchase Price of US\$50.00 million (equivalent to approximately RMB390.00 million) will be paid, 90 per cent. of the Earn-out Payment of US\$5.00 million, which is equal to US\$4.50 million (equivalent to approximately RMB35.10 million) shall be satisfied by the allotment of the Consideration Shares and the remaining balance by way of cash.
5. The above table does not take into accounts the potential dilution effect caused by the outstanding share options of the Company of approximately 78.21 million as at the date of this announcement as it accounts for approximately 5% of the enlarged issued share capital of the Company which does not have material potential dilution effect on the shareholding of the Company.
6. Mr. LEI Hongsang, the proposed Director upon Closing, is the sole beneficial owner of Genius Investments Company Limited. Mr. WANG Xi, the proposed Director upon Closing, is the sole beneficial owner of Pine Flower River Inc. China GIWIN Investments Limited is equally owned by Mr. LEI Hongsang, and Mr. WANG Xi.

The above table does not take into account the issuance of additional HGR Shares to GPC prior to the Closing as mentioned under the section headed “HGR Shares to be acquired” of this announcement. This shall not affect the amount of the Total Consideration, the number of Consideration Shares to be issued and the right of the Company to acquire the remaining HGR Shares compulsorily under the Companies Law, but just the allocation of the Consideration Shares amongst the HGR Shareholders, and thus their respective shareholdings in the Company will be changed. Should GPC be issued additional HGR Shares with an aggregate value of US\$1.00 million (equivalent to approximately RMB7.80 million) any time before the Closing, GPC’s interest in HGR will be increased to approximately 41.73 per cent. and accordingly, GPC’s interest in the Company after the issuance of the additional HGR Shares upon Closing and the Earn-out Payment will be approximately 15.58 per cent. assuming that the Consideration Shares are issued at the minimum issue price of HK\$0.80 per Consideration Share.

Further announcement(s) will be made by the Company disclosing, among other things, the shareholding structure of HGR as at the Closing Date and the updated shareholding structure of the Company (i) immediately after the issuance of the Consideration Shares as part of the Share Purchase Price but before making the Earn-out Payment; and (ii) immediately after the issuance of the Consideration Shares as part of the Share Purchase Price and the Earn-out Payment, as and whenever appropriate.

GENERAL INFORMATION AND THE EGM

Based on the applicable ratios set forth in Chapter 19 of the GEM Listing Rules, the Acquisition constitutes a major transaction of the Company under the GEM Listing Rules for the Company and hence, is subject to the approval of the Shareholders.

A circular containing, among other things, further details of the Acquisition and a notice of the EGM will be despatched to the Shareholders as soon as reasonably practicable and in compliance with the GEM Listing Rules.

RESUMPTION OF TRADING OF THE ORDINARY SHARES

At the request of the Company, trading of the Ordinary Shares on the Stock Exchange has been suspended effective from 9:30 a.m. on 12 December 2006 pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading of the Ordinary Shares effective from 9:30 a.m. on 8 January 2007.

DEFINITIONS USED IN THIS ANNOUNCEMENT

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

“2006 Net Profit”	the aggregate of (i) the audited consolidated net profit after taxation of the HGR Group for the financial year ending 31 December 2006; and (ii) the audited consolidated net profit after taxation of DoubleBridge for the two months ended 28 February 2006, both prepared in accordance with HKFRS;
“2007 Net Profit”	the audited consolidated net profit after taxation of the HGR Group for the financial year ending 31 December 2007 prepared in accordance with HKFRS;
“Acquisition”	the conditional acquisition of approximately 96.61 per cent. of the HGR Shares by the Company pursuant to the terms and conditions set forth in the Agreements;
“Agreements”	the Sale and Purchase Agreement and the Supplemental Agreement in relation to the Acquisition;
“associates”	has the meaning ascribed to it under the GEM Listing Rules;
“Beijing Daoda”	北京道達技術有限公司 (Beijing Daoda Technology Co., Ltd*), a wholly-foreign owned enterprise established in the PRC and a wholly-owned subsidiary of DoubleBridge;
“Board”	the board of Directors;
“Business Day”	a day on which banks in Hong Kong are generally open for business excluding Saturdays, Sundays and public holidays in Hong Kong;
“CAD”	computer-aided design;
“Closing”	closing of the Acquisition in accordance with the terms and conditions set forth in the Agreement;

“Closing Date”	subject to the satisfaction of the Conditions, the first Business Day which falls 15 days after the approval of the audited consolidated accounts of the HGR Group for the financial year ending 31 December 2006, or such other day (which must be a Business Day) as agreed by the parties to the Sale and Purchase Agreement;
“Companies Law”	Companies Law (2004 Revision) of the Cayman Islands;
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“Company”	Chinasoft International Limited, a company incorporated in the Cayman Islands with limited liability whose Ordinary Shares are currently listed on GEM;
“Conditions”	the conditions precedent to the Closing set forth in the Sale and Purchase Agreement;
“connected person”	has the meaning ascribed under the GEM Listing Rules;
“Consideration Shares”	up to 482,625,000 new Ordinary Shares to be issued and allotted by the Company to the HGR Shareholders pursuant to the terms and conditions of the Sale and Purchase Agreement;
“CS&S(HK)”	China National Computer Software & Information Technology Service Corporation (Hong Kong) Limited, a company incorporated in Hong Kong and a substantial shareholder (as such term is defined under the GEM Listing Rules) of the Company;
“Dalian Digitall”	大連全數科技有限公司 Dalian Digitall Technology Co., Ltd., a wholly-foreign owned enterprise established in the PRC and a 60 per cent. owned subsidiary of HGR;
“Dalian Xinhua”	大連信華信息技術有限公司 Dalian Xinhua Infotech Co., Ltd., a wholly-foreign owned enterprise established in the PRC and a wholly-owned subsidiary of HGR;
“Director(s)”	director(s) of the Company;
“DoubleBridge”	DoubleBridge Technologies, Inc., a company incorporated in the state of Delaware, the US and a wholly-owned subsidiary of HGR;
“DoubleBridge Hong Kong”	DoubleBridge Technologies Hong Kong Limited 達銳技術香港有限公司, a limited liability company established in Hong Kong and a 99.9999 per cent. owned subsidiary of DoubleBridge;
“Earn-out Payment”	the earn-out payment based on 15.5 times the 2007 Net Profit minus the Share Purchase Price;

“EGM”	the extraordinary general meeting of the Company to be convened at which certain ordinary resolutions will be proposed to approve the transactions contemplated under the Sale and Purchase Agreement including, but without limitation to, issue and allotment of the Consideration Shares;
“Far East”	Far East Technology International Limited, a company incorporated in Hong Kong and a substantial shareholder (as such term is defined under the GEM Listing Rules) of the Company;
“GEM”	The Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited;
“GPC”	Greater Pacific Capital Ltd., a company incorporated in the Cayman Islands and a general partner of Greater Pacific Capital Partners, L.P., a limited liability partnership established under the laws of the Cayman Islands, which is one of the Selling Shareholders;
“Greater China”	the PRC, Hong Kong, The Macau Special Administrative Region of the PRC and Taiwan;
“Group”	the Company and its subsidiaries (as such term is defined under the Companies Ordinance) as at the date of the Sale and Purchase Agreement;
“HGR”	Hinge Global Resource Inc., a company incorporated in the Cayman Islands with limited liability;
“HGR Group”	HGR and its subsidiaries (as such term is defined under the Companies Ordinance) which include Shanghai Huateng, Dalian Xinhua, Dalian Digitall, Hinge Xinhua, DoubleBridge, Beijing Daoda, DoubleBridge Hong Kong and Tokyo Xinhua;
“HGR Shares”	the 7,503,868 ordinary shares of no par value in the issued share capital of HGR as at the date of this announcement, all of which are registered in the name of the HGR Shareholders, representing all the issued share capital of HGR;
“HGR Shareholder(s)”	shareholder(s) of the HGR Share(s);
“Hinge Xinhua”	和勤信華信息技術(大連)有限公司 Hinge Xinhua Information & Technology (Dalian) Co., Ltd., a wholly-foreign owned enterprise established in the PRC and a wholly-owned subsidiary of HGR;

“HKFRS”	the Hong Kong Financial Reporting Standards as promulgated from time to time by the Hong Kong Institute of Certified Public Accountants;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“IT”	information technology;
“Listing Committee”	the listing sub-committee of the directors of the Stock Exchange responsible for the GEM listing matters;
“Main Board”	the stock market operated by the Stock Exchange in parallel with GEM;
“Offer”	the offer made by the Company to all HGR Shareholders to acquire the HGR Shares pursuant to the Sale and Purchase Agreement;
“Ordinary Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company;
“PRC”	the People’s Republic of China, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan;
“Principal Shareholders”	the Selling Shareholders other than GPC, China Tiger Investments Limited and Daniel RUAN;
“Sale and Purchase Agreement”	the conditional share and purchase agreement dated 2 January 2007 entered into between the Company, the Selling Shareholders and HGR;
“Selling Shareholders”	the following HGR Shareholders with the expected number of the HGR Shares held immediately prior to the Closing Date:–

Name of the HGR Shareholders	Expected number of HGR Shares held	Expected percentage interest in HGR
GPC	3,143,223	40.668
Scube Systems Limited	1,166,180	15.088
China Tiger Investments Limited	75,729	0.980
Easy Win Technology Limited	171,970	2.225
Pine Flower River Inc.	784,828	10.154
XFY Limited	846,256	10.949
Genius Investments Company Limited	265,205	3.431
George WU	182,568	2.362
Daniel RUAN	28,533	0.369
Biliang HU	88,918	1.150
IDG Technology Venture Investments, LP	149,868	1.939
China GIWIN Investments Limited	571,346	7.392

“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;
“Shanghai Huateng”	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 a 88.78 per cent. owned subsidiary of HGR before the Closing;
“Share Purchase Price”	15.5 times the 2006 Net Profit provided that it shall not be less than US\$25.00 million (equivalent to approximately RMB195.00 million) and not more than US\$50.00 million (equivalent to approximately RMB390.00 million);
“Share(s)”	Ordinary Share(s) and the Series A Preferred Share(s);
“Shareholder(s)”	the holder(s) of the all HGR Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Agreement”	the agreement dated 2 January 2007 entered into between the Company, HGR and the Principal Shareholders;
“Tokyo Xinhua”	株式會社東京信華 (Kabushiki Kaisha Tokyo Xinhua*), a company established in the Japan and is a wholly-owned subsidiary of HGR;
“Total Consideration”	the total amount of consideration payable by the Company to the HGR Shareholders under the Offer pursuant to the Sale and Purchase Agreement, comprising the Share Purchase Price and the Earn-out Payment, to be settled by way of cash and the Consolidation Shares, the aggregate amount of which, on the basis that the Company is to acquire all the HGR Shares in issue, shall not exceed US\$55.00 million (equivalent to approximately RMB429.00 million);
“US”	United States of America;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC; and
“US\$”	United States dollars, the lawful currency of the United States of America.

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

Hong Kong, 5 January 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:–

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

The English names of the PRC established companies in this announcement are for identification purposes only. In case of inconsistency, the Chinese names prevail.

In this announcement, US\$ has been converted into RMB and HK\$ at the rates of US\$1 = RMB7.8 and US\$1 = HK\$7.8 respectively for illustration purpose only. No representation is made that any amounts in RMB or US\$ or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.

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 document misleading; and (3) all opinions expressed in this document 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 for at least 7 days from the date of its publication.

** for identification purpose only*