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ThinSoft

THINSOFT (HOLDINGS) INC
博軟(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8096)

**(I) PLACING OF EXISTING SHARES AND
SUBSCRIPTION OF NEW SHARES;**

**(II) PLACING OF CONVERTIBLE BONDS UNDER
GENERAL MANDATE;**

**(III) PLACING OF CONVERTIBLE BONDS UNDER
SPECIFIC MANDATE; AND**

(IV) RESUMPTION OF TRADING

Placing Agent



KINGSTON SECURITIES LIMITED

THE PLACING AND SUBSCRIPTION AGREEMENT

On 19 January 2010 (after trading hours), the Vendor, entered into the Placing and Subscription Agreement with the Placing Agent and the Company, pursuant to which (i) the Vendor agreed to place, through the Placing Agent, the Placing Shares to not less than six Placees at a price of HK\$0.635 each on a fully underwritten basis; and (ii) the Company has conditionally agreed to allot and issue, and the Vendor has conditionally agreed to subscribe for the Subscription Shares at a price of HK\$0.635 each.

The Placing Shares represent approximately 7.98% of the issued share capital of the Company as at the date of this announcement and approximately 7.39% of the Company's enlarged issued share capital immediately after completion of the Placing and the Subscription.

THE PLACING OF CONVERTIBLE BONDS

(i) CB Placing Agreement I

On 19 January 2010 (after trading hours), the Company entered into the CB Placing Agreement I with the Placing Agent pursuant to which the Placing Agent agreed to procure, on a best effort basis, the independent CB Placees to subscribe in cash for the Convertible Bonds (Tranche I) of up to an aggregate principal amount of HK\$190,500,000.

Assuming completion of the placing of the Convertible Bonds (Tranche I) in an aggregate principal amount of HK\$190,500,000, and upon full conversion of the Convertible Bonds (Tranche I) at the Conversion Price, a total of 300,000,000 Conversion Shares (Tranche I) will be allotted and issued, representing approximately 11.97% of the existing issued share capital of the Company and approximately 9.98% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and Conversion Shares (Tranche I) at the Conversion Price.

The Conversion Shares (Tranche I) will be issued under the General Mandate.

(ii) CB Placing Agreement II

On 19 January 2010 (after trading hours), the Company entered into the CB Placing Agreement II with the Placing Agent pursuant to which the Placing Agent agreed to procure, on a best effort basis, the independent CB Placees to subscribe in cash for the Convertible Bonds (Tranche II) of up to an aggregate principal amount of HK\$444,500,000.

Assuming completion of the placing of the Convertible Bonds (Tranche II) in an aggregate principal amount of HK\$444,500,000, and upon full conversion of the Convertible Bonds (Tranche II) at the Conversion Price, a total of 700,000,000 Conversion Shares (Tranche II) will be allotted and issued, representing approximately 27.93% of the existing issued share capital of the Company and approximately 18.89% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares, the Conversion Shares (Tranche I) and Conversion Shares (Tranche II) at the Conversion Price.

The Conversion Shares (Tranche II) shall be issued under a specific mandate to be approved by the Shareholders at the EGM. An EGM will be held to consider and if thought fit, pass resolutions to approve the CB Placing Agreement II and the transactions contemplated thereunder including the placing of the Convertible Bonds (Tranche II) and the issue of the Conversion Shares (Tranche II).

GENERAL

A circular containing, among other things, further details of the CB Placing Agreement II, the proposed placing of the Convertible Bonds (Tranche II) together with the notice of the EGM will be despatched to the Shareholders as soon as practicable. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Director or Shareholder has a material interest in the placing of the Convertible Bonds (Tranche II) and no Shareholder is required to abstain from voting at the EGM.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 19 January 2010 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on 20 January 2010.

THE PLACING AND SUBSCRIPTION AGREEMENT

Date

19 January 2010 (after trading hours)

Parties

Vendor	Inno Smart, the controlling Shareholder, being the Vendor
Placing Agent	Kingston Securities Limited, an Independent Third Party, being the placing agent
The Company	ThinSoft (Holdings) Inc.

The Placing Agent has been appointed to place the Placing Shares on a fully underwritten basis and will receive a placing commission of 2.5% on the gross proceeds of the Placing. The placing commission was arrived at after arm's length negotiations between the Company and the Placing Agent.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

Pursuant to the Placing and Subscription Agreement, (i) the Vendor, the controlling Shareholder, agreed to place, through the Placing Agent, the Placing Shares held by it to Placees at a price of HK\$0.635 each. The Placing Shares are to be placed by the Placing Agent on a fully underwritten basis; and (ii) the Company conditionally agreed to allot and issue, and the Vendor conditionally agreed to subscribe for the Subscription Shares at a price of HK\$0.635 each. Details of the Placing and the Subscription are set out below:

1. Placing

Placees

The Placees and their ultimate beneficial owners shall be Independent Third Parties. It is expected that none of the Placees will become a substantial Shareholder immediately after completion of the Placing and the Subscription.

Number of Placing Shares

200,000,000 Shares, representing approximately 7.98% of the issued share capital of the Company as at the date of this announcement and approximately 7.39% of the Company's enlarged issued share capital immediately after completion of the Placing and the Subscription.

The Placing Shares are to be placed by the Placing Agent on a fully underwritten basis.

Placing price

The Placing Price of HK\$0.635 per Placing Share represents:

- (i) a discount of approximately 10.56% to the closing price of HK\$0.710 per Share as quoted on the Stock Exchange on the Last Trading Day, which the terms of the allotment were fixed;
- (ii) a discount of approximately 19.82% to the average closing price of approximately HK\$0.792 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 8.50% to the average closing price of approximately HK\$0.694 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

The Placing Price was determined and negotiated on an arm's length basis between the Company, the Vendor and the Placing Agent with reference to the prevailing market price of the Shares. The Directors (including the independent non-executive Directors) consider that the Placing Price are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

After taking into account all the related expenses of the Placing and the Subscription payable by the Company, the net Placing Price is approximately HK\$0.619 per Placing Share.

Completion of the Placing

The Placing is unconditional. Completion of the Placing will take place on 25 January 2010 (or such other date as may be agreed by the Vendor and the Placing Agent). Under the Placing and Subscription Agreement, the Placing Shares will be placed by the Placing Agent to not less than six Places who will be an Independent Third Parties of the Group.

Ranking of the Placing Shares

The Placing Shares rank *pari passu* among themselves and with Shares in issue as at the date of this announcement.

2. Subscription

Number of Subscription Shares

200,000,000 new Shares, which is equivalent to the number of Placing Shares and represents approximately 7.98% of the issued share capital of the Company as at the date of this announcement and approximately 7.39% of the Company's enlarged issued share capital immediately after completion of the Placing and the Subscription.

The allotment and issue of the Subscription Shares is not subject to Shareholders' approval. The Subscription Shares will be allotted and issued under a general mandate granted to the Directors at the annual general meeting of the Company held on 4 May 2009. As the Company has undergone a subdivision of shares on 12 October 2009 whereby that each of the then issued and unissued shares of HK\$0.05 each in the share capital of the Company was subdivided into five (5) shares of HK\$0.01 each, the Company is authorised to allot, issue and deal with up to 501,255,000 unissued Shares. The Company has not exercised the power to allot and issue any Shares pursuant to such mandate prior to the Placing and the Subscription. Immediately following completion of the Subscription, a total of 301,255,000 Shares will remain unissued under such mandate.

Subscription Price

HK\$0.635 per Subscription Share, which is equivalent to the Placing Price, was determined and negotiated on an arm's length basis between the Company, the Vendor and the Placing Agent. As such, the Board considers that the Subscription Price is in the best interests of the Company and is fair and reasonable so far as the Shareholders are concerned. After taking into account all the related expenses of the Placing and the Subscription payable by the Company, the net Subscription Price is approximately HK\$0.619 per Subscription Share.

Conditions precedent

The Subscription is conditional upon:

- (i) the GEM Listing Committee granting the listing of, and permission to deal in, the Subscription Shares; and
- (ii) the completion of the Placing.

None of the above conditions can be waived by the parties to the Placing and Subscription Agreement. In the event that the conditions of the Subscription are not fulfilled in full by 2 February 2010 (or such later date as may be agreed in writing between the Company and the Vendor), all rights, obligations and liabilities of the Company, the Placing Agent and the Vendor in relation to the Subscription shall cease and determine and neither the Company, the Vendor and the Placing Agent shall have any claim against each other in respect of the Subscription.

Completion of the Subscription

Completion of the Subscription will take place on next Business Day (or such other date as may be agreed by the Company and the Vendor) following the conditions of the Subscription have been fulfilled. The Subscription must be completed on or before 2 February 2010, being 14 days from the date of the Placing and Subscription Agreement. If the Subscription is to be completed thereafter, it will constitute a connected transaction under the GEM Listing Rules and require compliance with all the relevant requirements under Chapter 20 of the GEM Listing Rules, including but not limited to the issue of a separate announcement and approval of the independent Shareholders.

Ranking and rights of the Subscription Shares

The Subscription Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

Application for listing

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on GEM.

Termination

The Placing and Subscription Agreement contains provisions entitling the Placing Agent to terminate the Placing and Subscription Agreement on the occurrence of, inter alia, any adverse change in market conditions occurs which makes it inexpedient or inadvisable to proceed with the Placing or any suspension in the trading of the Company's securities on the Stock Exchange for a period of more than 10 consecutive Business Days, excluding any suspension in connection with the clearance of this announcement, the circular or other documents in connection with the Placing.

Completion of the Subscription is subject to the satisfaction of the conditions precedent in the Placing and Subscription Agreement.

As the Placing and Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

CB PLACING AGREEMENT I

Date

19 January 2010

Parties

Issuer: The Company

Placing agent: The Placing Agent

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

The Placing Agent will receive a placing commission in aggregate of 2.5% on the total subscription price of the Convertible Bonds (Tranche I) being placed, which was determined after arm's length negotiations between the Company and the Placing Agent and with reference to prevailing placing commission charged by other placing agents in the market.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS (TRANCHE I)

Pursuant to the CB Placing Agreement I, the Company agreed to issue and the Placing Agent agreed to place, on a best effort basis, the three-year zero coupon convertible bonds up to an aggregate principal amount of HK\$190,500,000. The Convertible Bonds (Tranche I) will be placed to not less than six CB Places. Further announcement will be made by the Company if the Placing Agent fails to identify at least six CB Places.

The Placing Agent will procure that none of the CB Placees will become a substantial shareholder (as defined under the GEM Listing Rules) assuming such CB Placee(s) immediately exercises the conversion rights attached to the Convertible Bonds (Tranche I) in full immediately after the completion of the placing of each tranche of the Convertible Bonds (Tranche I).

The principal terms of the Convertible Bonds (Tranche I) are summarised below:

Amount of the Convertible Bonds (Tranche I)

Up to an aggregate principal amount of HK\$190,500,000.

Minimum amount of the Convertible Bonds (Tranche I) to be placed for each CB Placees

The amount of the Convertible Bonds (Tranche I) may be placed in up to four tranches and the amount to be placed for each tranche shall not be less than HK\$47,625,000 (except the last tranche).

Conversion Price

HK\$0.635 per Conversion Share (Tranche I), which is subject to adjustments for, subdivision or consolidation of shares, rights issues and other dilutive events which may have adverse effects on the rights of the Bondholders. Any adjustment to the Conversion Price will be reviewed by the auditors of the Company. The Company will publish an announcement upon any adjustment to the Conversion Price.

The adjustments to the Conversion Price include the following:

- (i) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;
- (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
- (iii) a capital distribution being made by the Company, whether on a reduction or otherwise, to Shareholders (in their capacity as such) or a grant by the Company to Shareholders (in their capacity as such) or rights to acquire for cash assets of the Company or any of its subsidiaries;
- (iv) an offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe new Shares being made by the Company to Shareholders (in their capacity as such) at a price which is less than the market price on the date of the announcement of the terms of the offer or grant;

- (v) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares and the total effective consideration per Share receivable for such securities is less than 80% of the market price on the date of announcement of the terms of the issue of such securities;
- (vi) an issue of Shares wholly for cash at a price per Share which is less than 80% of the market price on the date of announcement of the terms of such issue; and
- (vii) an issue of Shares for acquisition of assets at a total effective consideration per Share which is less than 80% of the market price of the date of the announcement of the terms of such issue.

Issue of Shares and other securities convertible into Shares by the Company for the purpose of financing the Possible Acquisition and the issue of the Convertible Bonds (Tranche II) and the Conversion Shares (Tranche II) will not result in adjustment to the Conversion Price.

The Conversion Price represents:

- (i) a discount of approximately 10.56% to the closing price of HK\$0.710 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 19.82% to the average of the closing prices of approximately HK\$0.792 per Share for last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 8.50% to the average of the closing prices of approximately HK\$0.694 per Share for the last ten consecutive trading days up to and including the Last Trading Day.

The Conversion Price was determined after arm's length negotiations between the Company and the Placing Agent, after considering the Group's existing financial position, liquidity of the Shares in the market, the intended amount of funds to be raised and number of Conversion Shares (Tranche I). The net Conversion Price for the Conversion Shares (Tranche I) is approximately HK\$0.619.

Interest

The Convertible Bonds (Tranche I) bear no interest.

Maturity date

The maturity of the Convertible Bonds (Tranche I) will be the date falling on the third anniversary of the date of issue of the Convertible Bonds (Tranche I). Any unredeemed and unconverted Convertible Bonds (Tranche I), shall be redeemed by the Company at 100% of the outstanding principal amount in cash.

Status

The Convertible Bonds (Tranche I) constitute general and unsecured obligations of the Company and shall rank equally among themselves at least *pari passu* with all other present and future unsecured obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law.

Terms of conversion

The Bondholders shall have the right at any time after the date of issue of the Convertible Bonds (Tranche I) to the date of maturity of the Convertible Bonds (Tranche I) to convert any outstanding amount of the Convertible Bonds (Tranche I) in multiples of HK\$1,000,000 into the Conversion Shares (Tranche I) at the Conversion Price, except that any conversion of the Convertible Bonds (Tranche I), if applicable, together with the Shares already owned or agreed to be acquired by each of the Bondholders and/or parties acting in concert with it, do not exceed 29.9% or more of the then issued ordinary share capital of the Company and that the minimum public float requirement under the GEM Listing Rules of the Company will not be maintained following such conversion.

Conversion Shares (Tranche I)

Based on the Conversion Price of HK\$0.635, a maximum number of 300,000,000 Conversion Shares (Tranche I) will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds (Tranche I) in full, which represent:

- (i) approximately 11.97% of the existing issued share capital of the Company; and
- (ii) approximately 9.98% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and Convertible Shares (Tranche I).

Mandate for allotment and issue of the Conversion Shares (Tranche I)

The allotment and issue of the Conversion Shares (Tranche I) is not subject to Shareholders' approval. The Conversion Shares (Tranche I) will be issued under the General Mandate. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares (Tranche I). The Convertible Bonds (Tranche I) will not be listed on any stock exchange. Allotment and issue of the Conversion Shares (Tranche I), together with the allotment and issue of the Subscription Shares upon completion of the Subscription, will utilise approximately 99.74% of the General Mandate.

Early redemption

Neither the Company nor the Bondholder(s) may early redeem or request early redemption of the outstanding principal amount of the Convertible Bonds (Tranche I) (in whole or in part).

Voting

The Bondholders of the Convertible Bonds (Tranche I) will not be entitled to attend or vote at any meetings of the Company by reason only of being the Bondholders.

CONDITION PRECEDENT

Completion of the placing of the Convertible Bonds (Tranche I) is conditional upon the GEM Listing Committee of the Stock Exchange granting the listing of and permission to deal in, all of the Conversion Shares (Tranche I).

If any of the above condition precedent is not fulfilled, on or before the date falling 60 days after the date of the CB Placing Agreement I (or such other time and date as the Placing Agent and the Company shall agree in writing), the CB Placing Agreement I shall lapse and become null and void and both the Company and the Placing Agent will be released from all obligations under the CB Placing Agreement I (save for liabilities for any antecedent breaches thereof).

Subject to the fulfilment of the above conditions precedent, completion of the CB Placing Agreement I shall take place on or before the fourth Business Day (or such other date as the Company and the Placing Agent may agree in writing) after fulfilment of all the above conditions precedent. Further announcement will be made the Company upon completion of the CB Placing Agreement I.

The Conversion Shares (Tranche I), when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue as at the date of allotment and issue of the Conversion Shares (Tranche I), including the right to receive all future dividends and distributions which may be declared, made or paid by the Company on or after the date of allotment and issue of Conversion Shares (Tranche I).

Transferability

The Convertible Bonds (Tranche I) may be transferred or assigned to any third party provided that the Bondholder(s) shall serve not less than 15 Business Days' prior written notice to the Company before the transfer takes place. In the event of a transfer of the Convertible Bonds (Tranche I) to a connected person of the Company, prior approval from the Stock Exchange, if applicable, and the Company will be required. The Company undertakes to comply with the relevant GEM Listing Rules and to make necessary announcement(s), where appropriate, if and when the Bondholder(s) makes any transfer of the Convertible Bonds (Tranche I) to other parties requiring disclosure.

Termination of the CB Placing Agreement I

The Placing Agent may, by notice to the Company given at any time prior to 8:00 a.m. on first completion date of the issue of the Convertible Bonds (Tranche I) terminate the CB Placing Agreement I if in the absolute opinion of the Placing Agent, the success of the placing of the Convertible Bonds (Tranche I) contemplated thereunder would be materially and adversely affected by:

- (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Placing Agent materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the placing of the Convertible Bonds (Tranche I); or
- (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the CB Placing Agreement I) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Placing Agent materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and makes it inexpedient or inadvisable to proceed with the placing of the Convertible Bonds (Tranche I); or
- (iii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Placing Agent is likely to materially or adversely affect the success of the Placing or otherwise makes it inexpedient or inadvisable to proceed with the placing of the Convertible Bonds (Tranche I); or
- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (v) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than 15 consecutive Business Days, excluding any suspension in connection with the clearance of the this announcement, the circular or other documents in connection with the subscription contemplated under the CB Placing Agreement I; or
- (vi) any material breach of any of the warranties contained in the CB Placing Agreement I comes to the knowledge of the Placing Agent.

The principal terms of the Convertible Bonds (Tranche II) are summarised below:

Amount of the Convertible Bonds (Tranche II)

Up to an aggregate principal amount of HK\$444,500,000.

Minimum amount of the Convertible Bonds (Tranche II) to be placed for each CB Places

The amount of the Convertible Bonds (Tranche II) may be placed in up to four tranches and the amount to be placed for each tranche shall not be less than HK\$111,125,000 (except the last tranche).

Conversion Price

HK\$0.635 per Conversion Share (Tranche II), which is subject to adjustments for, subdivision or consolidation of shares, rights issues and other dilutive events which may have adverse effects on the rights of the Bondholders. Any adjustment to the Conversion Price will be reviewed by the auditors of the Company. The Company will publish an announcement upon any adjustment to the Conversion Price.

The adjustments to the Conversion Price include the following:

- (i) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;
- (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
- (iii) a capital distribution being made by the Company, whether on a reduction or otherwise, to Shareholders (in their capacity as such) or a grant by the Company to Shareholders (in their capacity as such) or rights to acquire for cash assets of the Company or any of its subsidiaries;
- (iv) an offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe new Shares being made by the Company to Shareholders (in their capacity as such) at a price which is less than the market price on the date of the announcement of the terms of the offer or grant;
- (v) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares and the total effective consideration per Share receivable for such securities is less than 80% of the market price on the date of announcement of the terms of the issue of such securities;

- (vi) an issue of Shares wholly for cash at a price per Share which is less than 80% of the market price on the date of announcement of the terms of such issue; and
- (vii) an issue of Shares for acquisition of assets at a total effective consideration per Share which is less than 80% of the market price of the date of the announcement of the terms of such issue.

Issue of Shares and other securities convertible into Shares by the Company for the purpose financing the Possible Acquisition and the issue of the Convertible Bonds (Tranche I) and Conversion Shares (Tranche I) will not result in adjustment to the Conversion Price.

The Conversion Price represents:

- (i) a discount of approximately 10.56% to the closing price of HK\$0.710 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 19.82% to the average of the closing prices of approximately HK\$0.792 per Share for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 8.50% to the average of the closing prices of approximately HK\$0.694 per Share for the last ten consecutive trading days up to and including the Last Trading Day.

The Conversion Price was determined after arm's length negotiations between the Company and the Placing Agent, after considering the Group's existing financial position, liquidity of the Shares in the market, the intended amount of funds to be raised and number of Conversion Shares (Tranche II). The net Conversion Price for the Conversion Shares (Tranche II) is approximately HK\$0.619.

Interest

The Convertible Bonds (Tranche II) bear no interest.

Maturity date

The maturity of the Convertible Bonds (Tranche II) will be the date falling on the third anniversary of the date of issue of the Convertible Bonds (Tranche II). Any unredeemed and unconverted Convertible Bonds (Tranche II), shall be redeemed at 100% of the outstanding principal amount in cash.

Status

The Convertible Bonds (Tranche II) constitute general and unsecured obligations of the Company and shall rank equally among themselves at least *pari passu* with all other present and future unsecured obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law.

Terms of conversion

The Bondholders shall have the right at any time after the date of issue of the Convertible Bonds (Tranche II) to the date of maturity of the Convertible Bonds (Tranche II) to convert any outstanding amount of the Convertible Bonds (Tranche II) in multiples of HK\$1,000,000 into the Conversion Shares (Tranche II) at the Conversion Price, except that any conversion of the Convertible Bonds (Tranche II), if applicable, together with the Shares already owned or agreed to be acquired by each of the Bondholders and/or parties acting in concert with it, do not exceed 29.9% or more of the then issued ordinary share capital of the Company and that the minimum public float requirement under the GEM Listing Rules of the Company will not be maintained following such conversion.

Conversion Shares (Tranche II)

Based on the Conversion Price of HK\$0.635, a maximum number of 700,000,000 Conversion Shares (Tranche II) will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds (Tranche II) in full, which represent:

- (i) approximately 27.93% of the existing issued share capital of the Company; and
- (ii) approximately 18.89% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares, the Conversion Shares (Tranche I) and the Convertible Shares (Tranche II).

Mandate for allotment and issue of the Conversion Shares (Tranche II)

The Conversion Shares (Tranche II) will be issued under a specific mandate proposed to be sought from the Shareholders at the EGM. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares (Tranche II). The Convertible Bonds (Tranche II) will not be listed on any stock exchange.

Early redemption

Neither the Company nor the Bondholder(s) may early redeem or request early redemption of the outstanding principal amount of the Convertible Bonds (Tranche II) (in whole or in part).

Voting

The Bondholders of the Convertible Bonds (Tranche II) will not be entitled to attend or vote at any meetings of the Company by reason only of being the Bondholders.

CONDITIONS PRECEDENT

Completion of the placing of the Convertible Bonds (Tranche II) is conditional upon the satisfaction of the following conditions:

- (i) the GEM Listing Committee of the Stock Exchange granting the listing of and permission to deal in, all of the Conversion Shares (Tranche II); and
- (ii) the passing by the Shareholders at the EGM of an ordinary resolution of the Company approving the CB Placing Agreement II and the transactions contemplated thereunder.

If any of the above conditions precedent is not fulfilled, on or before the date falling 60 days after the date of the EGM (or such other time and date as the Placing Agent and the Company shall agree in writing), the CB Placing Agreement II shall lapse and become null and void and both the Company and the Placing Agent will be released from all obligations under the CB Placing Agreement II (save for liabilities for any antecedent breaches thereof).

Subject to the fulfilment of the above conditions precedent, completion of the CB Placing Agreement II shall take place on or before the fourth Business Day (or such other date as the Company and the Placing Agent may agree in writing) after fulfilment of all the above conditions precedent. Further announcement will be made the Company upon completion of the CB Placing Agreement II.

The Conversion Shares (Tranche II), when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue as at the date of allotment and issue of the Conversion Shares (Tranche II), including the right to receive all future dividends and distributions which may be declared, made or paid by the Company on or after the date of allotment and issue of Conversion Shares (Tranche II).

Transferability

The Convertible Bonds (Tranche II) may be transferred or assigned to any third party provided that the Bondholder(s) shall serve not less than 15 Business Days' prior written notice to the Company before the transfer takes place. In the event of a transfer of the Convertible Bonds (Tranche II) to a connected person of the Company, prior approval from the Stock Exchange, if applicable, and the Company will be required. The Company undertakes to comply with the relevant GEM Listing Rules and to make necessary announcement(s), where appropriate, if and when the Bondholder(s) makes any transfer of the Convertible Bonds (Tranche II) to other parties requiring disclosure.

Termination of the CB Placing Agreement II

The Placing Agent may, by notice to the Company given at any time prior to 8:00 a.m. on first completion date of the issue of the Convertible Bonds (Tranche II) terminate the CB Placing Agreement II if in the absolute opinion of the Placing Agent, the success of the placing of the Convertible Bonds (Tranche II) contemplated thereunder would be materially and adversely affected by:

- (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Placing Agent materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the placing of the Convertible Bonds (Tranche II); or
- (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the CB Placing Agreement II) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Placing Agent materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and makes it inexpedient or inadvisable to proceed with the placing of the Convertible Bonds (Tranche II); or
- (iii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Placing Agent is likely to materially or adversely affect the success of the Placing or otherwise makes it inexpedient or inadvisable to proceed with the placing of the Convertible Bonds (Tranche II); or
- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (v) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than 15 consecutive Business Days, excluding any suspension in connection with the clearance of the this announcement, the circular or other documents in connection with the subscription contemplated under the CB Placing Agreement II; or
- (vi) any material breach of any of the warranties contained in the CB Placing Agreement II comes to the knowledge of the Placing Agent.

If the CB Placing Agreement II is so terminated, the obligations of all parties under the CB Placing Agreement II shall terminate forthwith and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

Based on the above and the reasons as set out in the section headed “REASONS FOR THE PLACING AND THE SUBSCRIPTION, THE PLACING OF THE CONVERTIBLE BONDS AND USE OF PROCEEDS” below, the Board (including the independent non-executive Directors) is of the view that the terms of the Convertible Bonds are fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST TWELVE MONTHS

The Group has not conducted any equity fund raising activities in the past 12 months immediately preceding the date of this announcement.

REASONS FOR THE PLACING AND THE SUBSCRIPTION, THE PLACING OF THE CONVERTIBLE BONDS AND USE OF PROCEEDS

The Group is principally engaged in the development and distribution of computing software and related products.

The net proceeds from the issue of the Subscription Shares (after deducting related expenses) will be approximately HK\$123.68 million.

The net proceeds from the placing of the Convertible Bonds (Tranche I) (after deducting related expenses) is estimated to be approximately HK\$185.59 million.

The net proceeds from the placing of the Convertible Bonds (Tranche II) (after deducting related expenses) is estimated to be approximately HK\$433.24 million.

All the proceeds will be used to finance the potential acquisition (the “Possible Acquisition”) in relation to trading, marketing and wholesaling of fuel oil and related products and equipped with oil depots, wharfs and its related facilities in the Southern and Eastern Regions of PRC as disclosed in the announcement of the Company dated 14 December 2009 and its subsequent business development. In the event that the potential acquisition does not materialised, the Company intends to apply the above proceeds for future investment projects to be identified or general working capital of the Group. As at the date of this announcement, save the potential acquisition as disclosed in the announcement of the Company dated 14 December 2009, the Company has not identified other investment projects.

EFFECTS ON SHAREHOLDING STRUCTURE

Set out below are (i) the existing shareholding structure of the Company; (ii) immediately upon completion of the Placing; (iii) immediately upon completion of the Subscription; (iv) immediately upon the completion of the Subscription and upon and assuming exercise in full of the conversion rights attaching to the Convertible Bonds (Tranche I) in the aggregate principal amount of HK\$190,500,000; and (v) immediately upon the completion of the Subscription and upon and assuming exercise in full of the conversion rights attaching to the Convertible Bonds (Tranche I) and the Convertible Bonds (Tranche II) in the aggregate principal amount of HK\$444,500,000:

Shareholders	the existing shareholding structure of the Company		immediately upon completion of the Placing		immediately upon completion of the Subscription		immediately upon the completion of the Subscription and upon and assuming exercise in full of the conversion rights attaching to the Convertible Bonds (Tranche I) in the aggregate principal amount of HK\$190,500,000		immediately upon the completion of the Subscription and upon and assuming exercise in full of the conversion rights attaching to the Convertible Bonds (Tranche I) and the Convertible Bonds (Tranche II) in the aggregate principal amount of HK\$444,500,000	
	Number of Shares held	% of issued Shares	Number of Shares held	% of issued Shares	Number of Shares held	% of issued Shares	Number of Shares held	% of issued Shares	Number of Shares held	% of issued Shares
Inno Smart (Notes 1 and 3)	1,875,000,000	74.81%	1,675,000,000	66.83%	1,875,000,000	69.28%	1,875,000,000	62.37%	1,875,000,000	50.59%
Yu Won Kong, Dennis (Note 2)	3,150,000	0.13%	3,150,000	0.13%	3,150,000	0.12%	3,150,000	0.10%	3,150,000	0.08%
Public										
The Placees	–	–	200,000,000	7.98%	200,000,000	7.39%	200,000,000	6.65%	200,000,000	5.40%
The CB Placees	–	–	–	–	–	–	300,000,000	9.98%	1,000,000,000	26.98%
Other public	628,125,000	25.06%	628,125,000	25.06%	628,125,000	23.21%	628,125,000	20.90%	628,125,000	16.95%
Sub-total	628,125,000	25.06%	828,125,000	33.04%	828,125,000	30.60%	1,128,125,000	37.53%	1,828,125,000	49.33%
Total issued capital	<u>2,506,275,000</u>	<u>100.00%</u>	<u>2,506,275,000</u>	<u>100.00%</u>	<u>2,706,275,000</u>	<u>100.00%</u>	<u>3,006,275,000</u>	<u>100.00%</u>	<u>3,706,275,000</u>	<u>100.00%</u>

Notes:

- Inno Smart is beneficially owned as to 50% by Daylight Express Investments Limited and as to 50% by Billion Sky Resources Limited. For the purpose of Part XV of the SFO, each of Daylight Express Investments Limited and Billion Sky Resources Limited is deemed to be interested in the shares of the Company held by Inno Smart.
- Daylight Express Investments Limited is wholly owned by Strong Choice Investments (Holding) Limited, which is in turn wholly owned by Mr. Dennis Yu Won Kong, an executive Director. For the purpose of the Part XV of SFO, Daylight Express Investments Limited is deemed to be interested in the shares of the Company which Strong Choice Investments (Holding) Limited is interested in. Mr. Dennis Yu Won Kong is deemed to be interested in the shares of the Company which Daylight Express Investments Limited is interested in.
- Billion Sky Resources Limited is wholly owned by Mr. Yue Wai Keung, an executive Director. For the purpose of Part XV of SFO, Mr. Yue Wai Keung is deemed to be interested in the shares of the Company which Billion Sky Resources Limited is interested in.

GENERAL

An EGM will be held to consider and if thought fit, pass resolutions to approve the CB Placing Agreement II and the transactions contemplated thereunder including the placing of the Convertible Bonds (Tranche II) and the issue of the Conversion Shares (Tranche II).

A circular containing, among other things, further details of the CB Placing Agreement II, the proposed placing of the Convertible Bonds (Tranche II) together with the notice of the EGM will be despatched to the Shareholders as soon as practicable. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Director or Shareholder has a material interest in the placing of the Convertible Bonds (Tranche II) and no Shareholder is required to abstain from voting at the EGM.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 19 January 2010 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on 20 January 2010.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“associate”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	the holder(s) of the Convertible Bonds
“Business Day”	any day (other than a Saturday or Sunday or public holidays) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CB Placees”	the placees of the Convertible Bonds to be procured by the Placing Agent for and on behalf of the Company, which shall be Independent Third Parties

“CB Placing Agreement I”	the conditional placing agreement dated 19 January 2010 entered into between the Company and the Placing Agent in relation to the placing of the Convertible Bonds (Tranche I) by the Placing Agent for and on behalf of the Company
“CB Placing Agreement II”	the conditional placing agreement dated 19 January 2010 entered into between the Company and the Placing Agent in relation to the placing of the Convertible Bonds (Tranche II) by the Placing Agent for and on behalf of the Company
“Company”	Thinsoft (Holdings) Inc., a company incorporated in the Cayman Islands with limited liability, which is principally engaged in the investment holding and whose issued Shares are listed on GEM
“Convertible Bonds”	collectively, the Convertible Bonds (Tranche I) and the Convertible Bonds (Tranche II)
“Convertible Bonds (Tranche I)”	the three-year zero coupon convertible bonds up to an aggregate principal amount of HK\$190,500,000 to be issued by the Company to the CB Placees pursuant to the CB Placing Agreement I
“Conversion Price”	the sum payable in respect of each Share to which the holder of the Convertible Bonds will be entitled upon exercise of the conversion rights of the Convertible Bonds represented thereby, being HK\$0.635 per Share (subject to adjustment)
“Conversion Share(s) (Tranche I)”	the 300,000,000 Shares, as the case may be, to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds (Tranche I)
“Convertible Bonds (Tranche II)”	the three-year zero coupon convertible bonds up to an aggregate principal amount of HK\$444,500,000 to be issued by the Company to the CB Placees pursuant to the CB Placing Agreement II
“Conversion Share(s) (Tranche II)”	the 700,000,000 Shares, as the case may be, to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds (Tranche II)

“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to approve, the CB Placing Agreement II and the transactions contemplated thereunder including the placing of the Convertible Bonds (Tranche II) and the issue of the Conversion Shares (Tranche II)
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	has the meaning ascribed thereto in the GEM Listing Rules
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“General Mandate”	the authorisation granted to the directors pursuant to an ordinary resolution of the Company passed on 4 May 2009 to allot and issue up to 20 per cent. of the aggregate of the nominal value of the share capital of the Company in issue on 4 May 2009.
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party (Parties)”	independent third party (parties) not connected with the directors, substantial shareholders or management shareholders of the Company or any of its subsidiaries or their respective associate
“Last Trading Day”	18 January 2010, being the last trading day immediately prior to the release of this announcement
“Placees”	any professional, institutional or individual investor(s) procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing and Subscription Agreement
“Placing”	the placing of 200,000,000 existing Shares under the Placing and Subscription Agreement
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on business in Type 1 (dealing in securities), regulated activity under the SFO

“Placing and Subscription Agreement”	the placing and subscription agreement dated 19 January 2010 (after trading hours) entered into between the Company, the Vendor and the Placing Agent in relation to the Placing and the Subscription
“Placing Price”	HK\$0.635 per Placing Share
“Placing Shares”	200,000,000 existing Shares to be placed pursuant to the Placing and Subscription Agreement
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, shall excludes Hong Kong, the Macau Special Administration Region of the PRC and Taiwan
“SFC”	the Securities and Futures Commission
“SFO”	Securities and Futures Ordinance of Hong Kong (Cap. 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the issued Share(s)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares pursuant to the Placing and Subscription Agreement
“Subscription Price”	HK\$0.635 per Subscription Share
“Subscription Shares”	200,000,000 new Shares to be allotted and issued by the Company to the Vendor pursuant to the Placing and Subscription Agreement
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases
“Vendor” or “Inno Smart”	Inno Smart Group Limited, a company incorporated in the British Virgin Islands and the controlling Shareholder and as to 50% of the entire issued share capital of which is beneficially owned by Mr. Yu Won Kong, Dennis, and as to 50% of the entire issued share capital of which beneficially owned by Mr. Yue Wai Keung

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By Order of the Board
Thinsoft (Holdings) Inc.
Yu Won Kong Dennis
Chairman

Hong Kong, 19 January 2010

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

- (1) Mr. Yu Won Kong Dennis, as Executive Director;
- (2) Mr. Yue Wai Keung, as Executive Director;
- (3) Mr. Chan Kwan Pak, as Non-executive Director;
- (4) Mr. Lam Kit Sun, as Non-executive Director;
- (5) Mr. Chen Tzyh-Trong, as Independent Non-executive Director;
- (6) Mr. Lee Chung Mong, as Independent Non-executive Director; and
- (7) Mr. Yeung Chi Hung, as Independent Non-executive Director.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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:–

- (i) the information contained in this announcement is accurate and complete in all material respects and not misleading;*
- (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and*
- (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

This announcement will remain on the “Latest Company Announcement” page of the GEM website at www.hkgem.com for at least 7 days from the date of this posting and on the website of the Company at www.thinsoftinc.com.