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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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CHINASOFT INTERNATIONAL LIMITED

中 軟 國 際 有 限 公 司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8216)

DISCLOSEABLE TRANSACTION
ACQUISITION OF 100% INTEREST IN TARGET COMPANY

This circular will remain on the Growth Enterprise Market website at <http://www.hkgem.com> on the "Latest Company Announcements" pages for at least 7 days from the date of its posting.

* *for identification purpose only*

Hong Kong, 6 December 2007

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context requires otherwise:

“Acquisition”	the acquisition of the Target Company by the Purchaser pursuant to the terms and conditions of the Sale & Purchase Agreement;
“Business Days”	the days on which banks in Hong Kong are generally open for business other than Saturdays;
“Board”	the board of Directors;
“Company”	Chinasoft International Limited, a company incorporated in the Cayman Islands with limited liability, the Ordinary Shares of which are listed on GEM;
“Completion”	the completion of the Acquisition;
“Conditions”	the conditions precedent to the Completion, as more particularly set out under the section headed “Conditions” of this circular;
“Consideration Share(s)”	such number of new Ordinary Shares to be issued to the Vendor as part of the consideration for Acquisition pursuant to the Sale & Purchase Agreement;
“Directors”	the directors of the Company;
“GEM”	The Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“JPY”	Japanese yen, the lawful currency of Japan;
“Last Practicable Date”	4 December 2007, being the last practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;

DEFINITIONS

“Ordinary Shares”	ordinary share(s) of HK\$0.05 each in the share capital of the Company;
“PRC”	the People’s Republic of China which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
“Purchaser”	Chinasoft International (Hong Kong) Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;
“RMB”	Renminbi yuan, the lawful currency of the PRC;
“Sale & Purchase Agreement”	the agreement dated 14 November 2007 entered into between the Purchaser and the Vendor in respect of the Acquisition;
“Series A Preferred Share(s)”	the senior redeemable convertible preferred share(s) of HK\$0.05 each in the issued share capital of the Company;
“SFO”	the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong;
“Shareholders”	the shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	日本創智株式會社 (Japan Powerise Co., Ltd.*), a company incorporated in Japan which is owned as to 100% by the Vendor;
“Trading Days”	the days on which the Ordinary Shares are traded on GEM;
“Vendor”	Sino Speed International Limited, a company incorporated in the British Virgin Islands; and
“%”	percentage.

Unless otherwise specified, the RMB and JPY amounts shown in this circular have been converted into HK\$ at the rates of HK\$1.00=RMB0.9546 and HK\$1.00=JPY14.28870794. Such conversion should not be construed as a representation that the RMB and JPY amounts have been, could have been or could be converted into HK\$, as the case may be, at this or any other rates or at all.

LETTER FROM THE BOARD



CHINASOFT INTERNATIONAL LIMITED

中軟國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8216)

Executive Directors:

Dr. CHEN Yuhong (*Managing Director*)

Dr. TANG Zhenming

Mr. WANG Hui

Non-executive Directors:

Mr. SU Zhenming (*Chairman*)

Dr. CUI Hui

Mr. Timothy CHEN Yung Cheng

Mr. Duncan CHIU

Mr. LIU Zheng

Independent non-executive Directors:

Mr. HE Ning

Mr. ZENG Zhijie

Dr. LEUNG Wing Yin

Registered Office:

Century Yard, Cricket Square

Hutchins Drive, P.O. Box 2681 GT

George Town, Grand Cayman

Cayman Islands

British West Indies

Principal place of business

in Hong Kong:

Units 4607-08, 46th Floor

COSCO Tower

No. 183 Queen's Road Central

Hong Kong

6 December 2007

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
ACQUISITION OF 100% INTEREST IN TARGET COMPANY**

INTRODUCTION

The Directors announced on 15 November 2007 that the Purchaser and the Vendor had entered into the Sale & Purchase Agreement pursuant to which the Purchaser agreed to acquire from the Vendor the entire issued share capital of the Target Company at an aggregate consideration of JPY242,621,603 (approximately HK\$16,979,954). Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company.

As the applicable ratios calculated pursuant to Chapter 19 of the GEM Listing Rules exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the GEM Listing Rules.

* *for identification purpose only*

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further information in respect of the Acquisition and other information in compliance with the GEM Listing Rules.

THE SALE & PURCHASE AGREEMENT DATED 14 NOVEMBER 2007

Parties

Purchaser : the Purchaser

Vendor : the Vendor

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

Subject of the Acquisition

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

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

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

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Financial information on Target Company

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

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

Consideration and payment terms

Pursuant to the Sale & Purchase Agreement, the total consideration for the Acquisition is JPY242,621,603 (approximately HK\$16,979,954) which will be settled as follows:

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

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

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

Conditions

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

1. there being no material breach in the warranties given by the Vendor under the Sale & Purchase Agreement prior to Completion;

LETTER FROM THE BOARD

2. all approvals necessary to be obtained by the Vendor and the Target Company (where applicable) from the relevant authorities under the applicable law and regulations in connection with the Acquisition having been obtained;
3. if necessary, the passing of the relevant resolutions by the Company approving the Sale & Purchase Agreement and the allotment of the Consideration Shares; and
4. the Stock Exchange have granted the listing of and permission to deal in the Consideration Shares on GEM.

In the event that the Conditions cannot be fulfilled or waived by the Purchaser (save and except for the 4th condition above which cannot be waived by the Purchaser in any event) within 6 months from the date of the Sale & Purchase Agreement (or such reasonable time as determined by the Purchaser), the Sale & Purchase Agreement shall then lapse and forthwith be of no further effect, in which all the obligations of the parties shall be released and the parties shall have no claim against each other in respect of the Sale & Purchase Agreement, save in respect of any antecedent breaches of the terms of the Sale & Purchase Agreement. As at the date of this circular, the 3rd condition above has been fulfilled and the Purchaser does not have the intention to waive any of the Conditions.

Consideration Shares

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

The issue price represents a discount of approximately 0.94% to the closing price of HK\$1.56 per Ordinary Share as quoted on GEM on 14 November 2007, being the last Trading Day prior to the suspension of trading in the Ordinary Shares pending the release of the announcement on the Acquisition dated 15 November 2007; and a premium of approximately 1.13% to the average closing price of approximately \$1.528 per Ordinary Share for the five Trading Days up to and including 13 November 2007.

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

LETTER FROM THE BOARD

The authorized and issued share capital of the Company as at the Latest Practicable Date were, and following the issue and allotment of 8,790,313 Consideration Shares will be as follows:

<i>Authorised</i>	<i>HK\$</i>	
1,500,000,000	Ordinary Shares as at the Latest Practicable Date	75,000,000.00
	Series A Preferred Shares as at the Latest Practicable Date	
625,000,000		31,250,000.00
2,125,000,000		106,250,000.00
<i>Issued and to be issued as fully paid</i>		
989,838,375	Ordinary Shares in issue as at the Latest Practicable Date	49,491,918.75
	Series A Preferred Shares in issue as at the Latest Practicable Date	
194,500,000		9,725,000.00
1,184,338,375	Ordinary Shares and Series A Preferred Shares in issue as at the Latest Practicable Date	59,216,918.75
	Number of Consideration Shares to be issued and allotted	
8,790,313		439,515.65
1,193,128,688		59,656,434.42

LETTER FROM THE BOARD

Shareholding structure of the Company before and after completion of acquisition

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

Name of Shareholders	Number of Ordinary Shares/ Series A Preferred Shares held and approximate percentage of shareholding (as at the date of this circular)	Number of Ordinary Shares/ Series A Preferred Shares held and approximate percentage of shareholding (after issue and allotment of 8,790,313 Consideration Shares)
<i>Ordinary Shares</i>		
China National Computer Software & Technology Service Corporation (Hong Kong) Ltd	199,010,755 (16.80%)	199,010,755 (16.68%)
Far East Holdings International Limited	130,419,822 (11.01%)	130,419,822 (10.93%)
Greater Pacific Capital Partners, LP	99,268,639 (8.38%)	99,268,639 (8.32%)
ABN AMRO Holding N.V.	59,260,000 (5.00%)	59,260,000 (4.97%)
JP Morgan Chase & Co.	49,570,000 (4.19%)	49,570,000 (4.16%)
Vendor	–	8,790,313 (0.74%)
Public & others	452,309,159 (38.20%)	452,309,159 (37.90%)
Total Ordinary Shares	989,838,375 (83.58%)	998,628,688 (83.70%)

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Name of Shareholders	Number of Ordinary Shares/ Series A Preferred Shares held and approximate percentage of shareholding (as at the date of this circular)	Number of Ordinary Shares/ Series A Preferred Shares held and approximate percentage of shareholding (after issue and allotment of 8,790,313 Consideration Shares)
<i>Series A Preferred Shares</i>		
Microsoft Corporation	97,250,000 (8.21%)	97,250,000 (8.15%)
International Finance Corporation	97,250,000 (8.21%)	97,250,000 (8.15%)
Total Series A Preferred Shares	194,500,000 (16.42%)	194,500,000 (16.30%)
TOTAL	1,184,338,375 (100%)	1,193,128,688 (100%)

REASONS FOR AND BENEFITS OF THE ACQUISITION

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

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

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

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE ACQUISITION

The Acquisition will result in a decrease in the cash balance of the Group (due to payment of part of consideration in cash), and an increase in the asset of the Group (due to the addition of the Target Company as a subsidiary of the Group). The acquisition of the Target Company will not have material effects on the liabilities of the Group. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company. The financial results of the Target Company will be consolidated into and reflected in the consolidated financial results of the Group. The Group is optimistic on the profit of the Target Company for the year ending 31 December 2008 which will contribute greater revenue and profit to the consolidated revenue and profit for the Group.

GENERAL INFORMATION

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

The Vendor is an investment holding company.

As the applicable ratios calculated pursuant to Chapter 19 of the GEM Listing Rules exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the GEM Listing Rules.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,
For and on behalf of
Chinasoft International Limited
Dr. CHEN Yuhong
Managing Director

RESPONSIBILITY STATEMENT

This circular, 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:

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

DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interest of the Directors in the Ordinary Shares and underlying shares of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in rule 5.46 of the GEM Listing Rules were as follows:

(a) Long positions in the Ordinary Shares

Name of Directors	Capacity	Nature of Interest	Number of Ordinary Shares held	Approximate percentage of the total Ordinary Shares in issue
CHEN Yuhong	Beneficial Owner	Personal	27,617,472	2.79%
CUI Hui	Beneficial Owner	Personal	20,000,000	2.02%
TANG Zhenming	Beneficial Owner	Personal	11,747,765	1.19%
WANG Hui	Beneficial Owner	Personal	9,517,838	0.96%

(b) Options to subscribe for the Ordinary Shares

Name of Directors	Exercise Price (HK\$)	No. of share options outstanding as at the Latest Practicable Date	Approximate percentage of the total Ordinary Shares in issue	Number of underlying Ordinary Shares interest in	Note
CHEN Yuhong	0.58	300,000	0.03%	6,550,000	(1)
	0.65	1,250,000	0.13%		(2)
	0.97	1,200,000	0.12%		(3)
	1.78	3,800,000	0.38%		(4)
CUI Hui	0.65	500,000	0.05%	500,000	(1)
Duncan CHIU	0.65	1,000,000	0.10%	1,000,000	(1)
TANG Zhenming	0.58	80,000	0.01%	4,180,000	(1)
	0.65	1,300,000	0.13%		(2)
	0.97	800,000	0.08%		(3)
	1.78	2,000,000	0.20%		(4)
WANG Hui	0.58	250,000	0.03%	5,000,000	(1)
	0.65	1,750,000	0.18%		(2)
	0.97	1,000,000	0.10%		(3)
	1.78	2,000,000	0.20%		(4)
CHEN Timothy Yung Cheng	1.78	1,000,000	0.10%	1,000,000	(4)
ZHEN Zhijie	1.78	750,000	0.08%	750,000	(4)

Notes:

- (1) These share options were offered on 13 August 2003 under the share option scheme of the Company adopted on 2 June 2003 (the “**Share Option Scheme**”) and accepted on 27 August 2003. The share options are exercisable for a period of ten years from the date of offer, subject to the following conditions:

Exercise Period Commencing	Ending	Number of share options exercisable
13/08/2004	12/08/2013	25% of the total number of share options granted
13/08/2005	12/08/2013	25% of the total number of share options granted
13/08/2006	12/08/2013	25% of the total number of share options granted
13/08/2007	12/08/2013	25% of the total number of share options granted

- (2) These share options were offered on 13 May 2004 under the Share Option Scheme and accepted on 10 June 2004. The share options are exercisable for a period of 10 years from the date of offer, subject to the following conditions:

Exercise Period Commencing	Ending	Number of share options exercisable
13/05/2004	12/05/2014	25% of the total number of share options granted
13/05/2005	12/05/2014	25% of the total number of share options granted
13/05/2006	12/05/2014	25% of the total number of share options granted
13/05/2007	12/05/2014	25% of the total number of share options granted

- (3) These share options were offered on 30 March 2006 under the Share Option Scheme and accepted on 27 April 2006. The share options are exercisable for a period of 10 years from the date of offer, subject to the following conditions:

Exercise Period Commencing	Ending	Number of share options exercisable
30/03/2006	29/03/2016	25% of the total number of share options granted
30/03/2007	29/03/2016	25% of the total number of share options granted
30/03/2008	29/03/2016	25% of the total number of share options granted
30/03/2009	29/03/2016	25% of the total number of share options granted

- (4) These share options were offered on 10 April 2007 under the Share Option Scheme and accepted on 8 May 2007. The share options are exercisable for a period of 10 years from the date of offer, subject to the following conditions:

Exercise Period Commencing	Ending	Number of share options exercisable
10/04/2007	09/04/2017	25% of the total number of share options granted
10/04/2008	09/04/2017	25% of the total number of share options granted
10/04/2009	09/04/2017	25% of the total number of share options granted
10/04/2010	09/04/2017	25% of the total number of share options granted

SHARE OPTION SCHEME

As at the Latest Practicable Date, share options to subscribe for an aggregate of 111,376,500 Ordinary Shares were granted to certain Directors and employees of the Group pursuant to the Share Option Scheme. The terms on the exercise of the share options granted to the Directors are set out in notes (1), (2), (3) and (4) under “Directors’ Interests” in this appendix.

Save as disclosed above and that there was an aggregate of 19,933,500 share options exercised by various employees of the Group during the period between 4 May 2007 and 14 August 2007, no option has been granted, exercised and lapsed pursuant to such Share Option Scheme as at the Latest Practicable Date.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors as at the Latest Practicable Date, the following persons, not being a Director or chief executive of the Company, had an interest in the Ordinary Shares which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in the Ordinary Shares

Name	Type of interest	Approximate number of the Ordinary Shares interested (million)	Approximate percentage of the total Ordinary Shares in issue
China National Computer Software & Information Technology Service Corporation (Hong Kong) Limited (“CS&S(HK)”) (Note 1)	Beneficial interest	199.01	20.11%
China National Software and Service Company Limited (“CNSS”) (Note 1)	Interest of controlled corporation	199.01	20.11%
Chinasoft International (Hong Kong) Limited (“Chinasoft (HK)”) (Note 2)	Interest of persons acting in concert	199.01	20.11%
Far East Holdings International Limited (“Far East Holdings”) (Note 3)	Beneficial interest	130.42	13.18%
Greater Pacific Capital Partners, LP (Note 4)	Beneficial interest	99.27	10.03%

Name	Type of interest	Approximate number of the Ordinary Shares interested (million)	Approximate percentage of the total Ordinary Shares in issue
International Finance Corporation (“IFC”) (Note 5)	Beneficial interest	97.25	9.82%
Microsoft Corporation (“Microsoft”) (Note 5)	Beneficial interest	97.25	9.82%
ABN AMRO Holding N.V. (Note 6)	Beneficial interest	59.26	5.99%

Notes:

1. CNSS is taken to be interested in the Ordinary Shares in which CS&S(HK) is interested. CNSS holds approximately 99.30% of the total voting rights of CS&S(HK).
2. Chinasoft (HK) and CS&S(HK) are parties to agreements to acquire interest in the Company which includes provisions imposing restrictions with respect to the disposal of interest acquired, and Chinasoft (HK) is taken to be interested in the Ordinary Shares in which CS&S(HK) is interested pursuant to section 318 of the SFO.
3. Mr. Duncan Chiu, a non-executive Director, is nominated by Far East Holdings. Mr. Duncan Chiu is a director of Far East Holdings.
4. Great Pacific Capital Partners, LP is interested in 99,268,639 shares.
5. IFC and Microsoft were each interested in 97,250,000 Ordinary Shares which could be issued to each of them upon the conversion of the 97,250,000 series A preferred shares of HK\$0.05 each in the capital of the Company (“Series A Preferred Shares”) allotted and issued to each of them on 6 January 2006. Each of IFC and Microsoft holds 50% of the total 194,500,000 Series A Preferred Shares in issue.
6. ABN AMRO Holding N.V. was interested in 59,260,000 shares.

So far as was known to the Directors, as at the Latest Practicable Date, the following persons (other than members of the Group) were directly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the following members the Group (other than the Company) and the amount of each of such person's interest were as follows:

Name of member of the Group	Name of substantial shareholder	Nature and amount of interest	Approximate percentage of shareholding
上海中軟資源技術服務有限公司 (Shanghai Chinasoft Resources Information Technology Services Limited)	上海東瑞信息諮詢服務有限公司 (Shanghai Dong Rui Information Consultation Services Co., Ltd)	Equity interest in the amount of RMB600,000	20%
中軟賽博資源軟件技術(天津)有限公司 (CS&S Cyber Resources Software Technology (Tianjin) Co. Ltd.)	天津泰達國際創業中心	RMB1,200,000	24%
廈門中軟海晟信息技術有限公司	福建海晟集團有限公司	RMB14,700,000	49%
上海中軟資源技術服務有限公司 (Shanghai Chinasoft Resources Information Technology Services Limited)	Yan Juanyu (嚴雋鈺)	Equity interest in the amount of RMB600,000	20%

Save as disclosed above, as at the Latest Practicable Date so far as was known to the Directors:

- (a) none of the Directors or chief executive of the Company had any interest or short position in any shares or underlying shares or interest in debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by the Directors; and
- (b) there was no person known to the Directors who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was or was expected to be, directly or indirectly, interested in 10 % or more of the nominal value of the

issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or had any options in respect of such capital.

LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation, arbitration or claim of material importance known by the Directors to be pending or threatened against any member of the Group.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contract with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

As at the Latest Practicable Date, Dr. CUI Hui, an executive Director, was interested in approximately 1.34% of the issued share capital of CNSS. Dr. CUI Hui also served as a director of CNSS. In addition, Mr. SU Zhenming (a non-executive Director) had been appointed as directors of CNSS since September 2006.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

MISCELLANEOUS

- (a) The registered office of the Company is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, Cayman Islands, British West Indies.
- (b) The Company's Hong Kong branch share registrar and transfer office is Computershare Hong Kong Investor Services Limited, which is situated at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The Qualified Accountant and the Secretary of the Company is Mr. FOK Ming Fuk, William, MBA, FCCA, CPA, CHARTERED ACCOUNTANT, FTIHK, MHKSI.
- (d) The Compliance Officer of the Company is Dr. CHEN Yuhong.
- (e) The Company established an audit committee on 2 June 2003 with written terms of reference in compliance with the requirements as set out in Rules 5.28 and 5.30 of the GEM Listing Rules. The primary duties of the audit committee are to

review and to supervise the financial reporting process and internal control system of the Group. The audit committee has three members comprising all three independent non-executive Directors, namely Mr. HE Ning, Mr. ZENG Zhijie and Dr. LEUNG Wing Yin, Patrick with their individual background stated below.

Mr. HE Ning was appointed as an independent non-executive Director on 2 July 2002. Mr. HE has been the chief executive officer of Beijing CCG Technology Co. Ltd. since September 2000. From January 1997 to August 2000, he was the vice president of the Beijing representative office of Merrill Lynch. Mr. HE was the assistant officer of the China Stock Exchange Executive Council from July 1993 to December 1996. He also worked for Morgan Stanley as manager from May 1990 to June 1993. Mr. HE obtained a master's degree in business administration from the University of Texas in 1984. Mr. HE has over 10 years experience in investment banking, direct investment and venture business management in the PRC and the USA.

Mr. ZENG Zhijie was appointed as an independent non-executive Director on 21 April 2003. Mr. ZENG obtained a master's degree in business administration from Stanford University in June 2001, and is a vice president of Walden International, a global venture capital firm with an investment focus on the communications, electronics, software and IT services, semiconductors and life sciences/healthcare industries.

Dr. LEUNG Wing Yin, Patrick was appointed as an independent non-executive Director on 22 March 2006. Dr. LEUNG holds a doctor's degree in accounting from the University of New South Wales, Australia, and a member of Certified Public Accountants of Australia, a member of the Hong Kong Institute of Certified Public Accountants and a member of Hong Kong Securities Institute. He is an Assistant Professor and a Doctor Student Supervisor at the School of Accounting and Finance of the Hong Kong Polytechnic University. Dr. LEUNG previously worked as a consultant in a firm of Certified Public Accountants and as a Senior Lecturer at Charles Sturt University, Australia and the City University of Hong Kong. He has over three years' working experience in internal auditing and corporate finance in banks.

- (f) This circular has been prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.