THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

If you have sold or transferred all your shares in **Chinasoft International Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee. This circular is addressed to the shareholders of Chinasoft International Limited in connection with a extraordinary general meeting to be held on 22 June 2005. This circular is not and does not constitute an offer of, nor is it intended to invite offers for, shares in or other securities of Chinasoft International Limited.

CHINASOFT INTERNATIONAL LIMITED
中軟國際有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 8216)

DISCLOSEABLE AND CONNECTED TRANSACTION

ACQUISITION OF 51% OF THE REGISTERED CAPITAL OF CHINASOFT RESOURCES

Financial Adviser to the Company

Oriental Patron Asia Limited

Independent Financial Adviser to the Independent Board Committee

SBI E2-Capital (HK) Limited

A letter from the Board is set out on page 4 to 15 of this circular. A letter from the Independent Board Committee is set out on page 16 of this circular. A letter from the Independent Financial Advisor containing its advice to the Independent Board Committee and the Shareholders is set out on page 17 to 28 of this circular.

A notice convening the EGM to be held at 27th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong at 3:00 p.m. on 22 June 2005 is set out on page 38 to 39 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit with the Company at its principal place of business in Hong Kong at Units 4607–08, 46th Floor, COSCO Tower, No. 183 Queen's Road Central, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of EGM. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM should you so wish.

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.

6 June 2005

* *for identification purpose only*

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 sophisticate 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.

CONTENTS

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

"Acquisition"	the acquisition by Chinasoft (HK) of the Equity Interest held by the Vendor pursuant to the Agreement
"Agreement"	the agreement dated 28 April 2005 entered into between Chinasoft (HK) and the Vendor in relation to the Acquisition
"associate"	has the meaning ascribed to it in the GEM Listing Rules
"Board"	the board of Directors
"Cash Option"	an option granted by Chinasoft (HK) to the Vendor to require the Company to satisfy part of the consideration under the Agreement by cash payment in the amount of HK$ 17,901,193 instead of an issue of 23,248,302 Consideration Shares
"Chinasoft Resources"	北京中軟資源信息科技服務有限公司(Chinasoft Resources Information Technology Services Limited) a wholly-foreign owned enterprise established in the PRC in April 2004
"Chinasoft (HK)"	Chinasoft International (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
"CNSS"	中國軟件與技術服務股份有限公司 (China National Software and Service Company Limited) (formally known as 中軟網絡技術股份有限公司 Chinasoft Network Technology Company Limited), the A-shares of which are listed on the Shanghai Stock Exchange and the holding company of the Vendor
"CS&S(HK)" or "Vendor"	China National Computer Software & Technology Service Corporation (Hong Kong) Limited（中國計算機軟件與技術服務（香港）有限公司）, a company incorporated in Hong Kong with limited liability in which the total voting rights are held as to approximately 99.3% by CNSS (though its subsidiary CS&S) and as to approximately 0.7% by an independent third party which is not a connected person (as defined under the GEM Listing Rules) of the Company
"Company"	Chinasoft International Limited, a company incorporated in Cayman Islands with limited liability, the Shares of which are listed on GEM

"Completion"	completion of the Acquisition pursuant to the Agreement
"Consideration Shares"	a maximum number of 58,120,755 new Shares to be allotted and issued by the Company to the Vendor pursuant to the Agreement
"Dalian Chinasoft"	大連中軟軟件有限公司(Dalian Chinasoft Software Limited), a limited liability company established under the laws of the PRC owned as to 62% by CNSS and as to the remaining 38% by six independent third parties which are not connected persons (as defined under the GEM Listing Rules) of the Company
"Director(s)"	the director(s) of the Company
"EGM"	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Acquisition, scheduled to be held on 22 June 2005
"Equity Interest"	51% of the registered capital of Chinasoft Resources owned by the Vendor
"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 GAAP"	generally accepted accounting principles in Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board comprising all three independent non-executive Directors, namely Mr. He Ning, Mr. Zeng Zhijie and Mr. Au Yeung Shiu Kau, Peter
"Independent Financial Advisor" or "SBI E2–Capital"	SBI E2–Capital (HK) Limited, a licensed corporation to carry out types 1, 4, 6 and 9 regulated activities under the SFO, has been appointed as the independent financial adviser to the Independent Board Committee and the Shareholders in relation to the Acquisition
"Latest Practicable Date"	3 June 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"PRC"	the People's Republic of China
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)

"Shanghai Resources"	上海中軟資源技術服務有限公司(Shanghai Chinasoft Resources Information Technology Services Limited) a limited liability company established in the PRC owned at to 60% by Chinasoft Resources, as to 5% each by Ms. Tang Min and Mr. Cui Hui, both of whom are Directors, and as to 30% by two independent third parties which are not connected persons (as defined under the GEM Listing Rules) of the Company
"Share(s)"	ordinary share(s) of HK$0.05 each in the issued share capital of the Company
"Shareholder(s)"	the holder(s) of Share(s)
"Shenzhen Resources"	深圳市中軟資源技術服務有限公司(Shenzhen Chinasoft Resources Information Technology Services Limited) a limited liability company established in the PRC owned as to 60% by Chinasoft Resources and as to 40% by two independent third parties which are not connected persons (as defined under the GEM Listing Rules) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent

Unless otherwise specified, the Renminbi amounts shown in this circular have been translated into Hong Kong dollars at an exchange rate of HK$1.00=RMB1.06. Such translation should not be construed as a representation that the RMB amounts have been, could have been or could be converted into HK$, as the case may be, at this or any other rates or at all.

中软国际

CHINASOFT INTERNATIONAL LIMITED
中軟國際有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 8216)

Executive Directors
Ms. Tang Min *(Chairman)*
Dr. Chen Yuhong *(Managing Director)*
Mr. Cui Hui
Mr. Peng Jiang
Mr. Duncan Chiu

Non-Executive Directors
Mr. David Chiu
Mr. Liu Zheng
Dr. Chen Qiwei

Independent Non-Executive Directors
Mr. He Ning
Mr. Zeng Zhijie
Mr. Au Yeung Shiu Kau, Peter

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 June 2005

To the Shareholders,

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

ACQUISITION OF 51% OF THE REGISTERED CAPITAL OF CHINASOFT RESOURCES

INTRODUCTION

The Directors announced on 9 May 2005 that Chinasoft (HK), a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor to conditionally acquire the Equity Interest from the Vendor. The consideration will be satisfied by the allotment and issue of a maximum number of 58,120,755 Consideration Shares by the Company, credited as fully paid, to the Vendor with a Cash Option exercisable by the Vendor.

Prior to the Completion, Chinasoft Resources is wholly-owned by the Vendor. Upon Completion, Chinasoft Resources will be owned as to 51% and 49% by Chinasoft (HK) and the Vendor respectively.

* *For identification purpose only*

The Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules. As the Vendor is a connected person (as defined under the GEM Listing Rules) of the Company, the Acquisition also constitutes a connected transaction of the Company under the GEM Listing Rules and is subject to the independent Shareholders' approval requirement. CS&S(HK), being a Shareholder with a material interest in the Acquisition and holding approximately 16.14% of the issued share capital of the Company as at the Latest Practicable Date, will be required to abstain from voting at the EGM, at which voting will be taken by poll. To the best of the Directors' knowledge, none of the associates of CS&S(HK) holds any Shares.

The Independent Board Committee comprising all three independent non-executive Directors of the Board has been established by the Board to advise the independent Shareholders on the reasonableness and fairness of the Acquisition. SBI E2-Capital has been appointed to provide its opinion to the Independent Board Committee and the independent Shareholders in connection with the Acquisition.

The purpose of this circular is (i) to provide you with further information in respect of the Agreement and the Acquisition and (ii) to set out the opinions of the Independent Board Committee and of the Independent Financial Adviser in connection with the Acquisition under the Agreement.

THE AGREEMENT

Date

28 April 2005

Parties

Vendor:	CS&S(HK)
Purchaser:	Chinasoft (HK)

Interest to be acquired

Pursuant to the Agreement, Chinasoft (HK) has conditionally agreed to acquire the Equity Interest from the Vendor.

Consideration

The consideration will be satisfied by the allotment and issue of a maximum number of 58,120,755 Consideration Shares by the Company credited as fully paid, to the Vendor at an issue price of HK$0.77 per Consideration Share with a Cash Option exercisable by the Vendor. The dollar value equivalent of the maximum number of 58,120,755 Consideration Shares at the issued price of HK$0.77 amounts to approximately HK$44.75 million. Subject to fulfillment (or waiver if applicable) of the conditions, the maximum number of 58,120,755 Consideration Shares will be issued as follows:

1. 34,872,453 Consideration Shares will be issued to the Vendor upon Completion; and

2. if the audited consolidated net profit of Chinasoft Resources after taxation and minority interests and before extraordinary items for the year ending 31 December 2005 according to the audited consolidated financial statements of Chinasoft Resources prepared in accordance with HKGAAP ("2005 Accounts") is not less than RMB12 million ("Performance Hurdle"), 23,248,302 Consideration Shares will be issued to the Vendor within 14 days from the date of issue of the 2005 Accounts, which is expected to be on or before 31 March 2006.

Under the Agreement, if the Performance Hurdle is not achieved, the Vendor will not be entitled to the second portion of the 23,248,302 Consideration Shares.

The maximum number of 58,120,755 Consideration Shares, when fully issued, represents approximately 8.33% of the issued share capital of the Company as at the Latest Practicable Date and approximately 7.69% of the issued share capital of the Company as enlarged by the issue of the maximum number of the Consideration Shares.

Cash Option

Chinasoft (HK) has granted an option to the Vendor to require Chinasoft (HK) to procure the Company to pay an amount of HK$17,901,193 to the Vendor instead of the issue and allotment of the second portion of the Consideration Shares. Such amount of cash payment is equivalent to the value of 23,248,302 Consideration Shares at the price of HK$0.77 per Consideration Share and will be made out of the internal resources of the Group.

Subject to Completion and satisfaction of the condition for the issue of the second portion of the Consideration Shares to the Vendor as referred to above, the Vendor may exercise the above option before the date of issue of the second portion of 23,248,302 Consideration Shares by the Company.

Status of Consideration Shares

The Consideration Shares when issued and credited as fully paid will rank pari passu amongst themselves and in all respects with the existing Shares in issue as at the date of allotment of the Consideration Shares. An ordinary resolution will be proposed at the EGM to seek a specific mandate to approve the issue and allotment of the Consideration Shares pursuant to the Agreement.

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

Non-Disposal Undertaking

The Vendor has undertaken to and covenanted with Chinasoft (HK) that it shall not, for a period of 12 months commencing from the date of issue and allotment of the relevant portion of the Consideration Shares, sell, transfer, grant any option on or otherwise dispose of (or enter into any agreement to sell, transfer, grant any option on or otherwise dispose of), nor permit the registered holder to sell, transfer, grant any option on or otherwise dispose of (or to enter into any agreement to sell, transfer, grant any option on or otherwise dispose of) any of its direct or indirect interest (as the case may be) in such portion of Consideration Shares.

Conditions of the Agreement

Completion of the Agreement is conditional upon the fulfillment (or waiver by Chinasoft (HK) in respect of the conditions under (c), (d) and (g) below) of the following conditions:

(a) approval by the Shareholders of the Agreement and the transactions contemplated thereunder and of the issue of a maximum number of 58,120,755 Consideration Shares pursuant to the Agreement (as a specific mandate) at an extraordinary general meeting of the Company to be held;

(b) the GEM Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Consideration Shares;

(c) completion to the satisfaction of Chinasoft (HK) of the legal and financial due diligence conducted by Chinasoft (HK) on Chinasoft Resources and its subsidiaries;

(d) the obtaining by Chinasoft (HK) of a PRC legal opinion in such form and content satisfactory to itself on the legal status of Chinasoft Resources and its subsidiaries;

(e) approval of the transfer of the Equity Interest from the Vendor to Chinasoft (HK) by the board of directors of Chinasoft Resources;

(f) the obtaining of all government approvals, consents and licences necessary for the transfer of the Equity Interest pursuant to the Agreement; and

(g) that there has been no breach of any of the representations, warranties and undertakings given by CS&S(HK) under the Agreement from the date of the Agreement up to the date of Completion.

The conditions under (c), (d) and (g) may be waived at the sole discretion of Chinasoft (HK). In the event of non-fulfillment of any of these three conditions, the members of the Board who have no material interest in the Acquisition will consider the circumstances regarding the non-fulfillment and, judging from whether the non-fulfillment is material as well as other relevant factors, determine whether a waiver of the condition concerned would be in the interest of the Company and the Shareholders.

If the conditions have not been fulfilled (or waived if applicable) on or before 30 September 2005 or such later date as the Vendor and Chinasoft (HK) may agree, the Agreement shall lapse and be terminated and thereafter all rights, obligations and liabilities of all parties therein shall cease and terminate except for antecedent breach. As at the Latest Practicable Date, the conditions had not yet been fulfilled (or if applicable) waived.

The due diligence on Chinasoft Resources and its subsidiaries is conducted by Chinasoft (HK) by reviewing the financial, accounting, legal and corporate documents of Chinasoft Resources and its subsidiaries.

Completion

Subject to the conditions of the Acquisition having been fulfilled (or waived if applicable), Completion will take place within 14 days from the date on which all the conditions of the Acquisition have been fulfilled.

Upon Completion, Chinasoft Resources will be owned as to 51% and 49% by the Group and the Vendor respectively. After Completion, it is expected that more than half of the members of the board of directors of Chinasoft Resources will be nominated by Chinasoft (HK). The Directors believe that the issue of the Consideration Shares pursuant to the Agreement has no bearing on any change to the board of directors of Chinasoft (HK).

Shareholding structure before and after the Acquisition

The approximate shareholding structure of the Company before and after the Acquisition (assuming the Vendor is entitled to be allotted the maximum number of 58,120,755 Consideration Shares) is summarized as follows:

	Before the Acquisition (As at the Latest Practicable Date)		**After the Acquisition (assuming the Cash Option is not exercised)**		**After the Acquisition (assuming the Cash Option is exercised)**	
	Shares	*%*	*Shares*	*%*	*Shares*	*%*
Far East Technology International Limited	176,889,822	25.36	176,889,822	23.41	176,889,822	24.15
The Vendor *(note)*	112,590,000	16.14	170,710,755	22.59	147,462,453	20.13
Authorative Industries Limited	57,485,834	8.24	57,485,834	7.61	57,485,834	7.85
ITG Venture Capital Limited	46,942,288	6.73	46,942,288	6.21	46,942,288	6.41
Prosperity International Investment Corporation	39,790,136	5.70	39,790,136	5.27	39,790,136	5.43
Directors						
– Chen Yuhong (note)	22,967,472	3.29	22,967,472	3.04	22,967,472	3.14
– Cui Hui (note)	22,967,472	3.29	22,967,472	3.04	22,967,472	3.14
– Peng Jiang	7,017,838	1.01	7,017,838	0.93	7,017,838	0.96
Public	210,849,138	30.24	210,849,138	27.90	210,849,138	28.79
Total	697,500,000	100.00	755,620,755	100.00	732,372,453	100.00

Note:

Pursuant to Class (2) of the definition of "acting in concert" under the Code on Takeovers and Mergers, Dr. Chen Yuhong and Mr. Cui Hui are presumed to be acting in concert with the Vendor by virtue of both Dr. Chen Yuhong and Mr. Cui Hui being directors of CNSS, the Vendor's parent company.

Save as disclosed and to the best of the Directors' knowledge, as at the Latest Practicable Date, the Directors were not aware of any other Shareholders who may be presumed to be acting in concert with the Vendor pursuant to the definition of "acting in concert" under the Code on Takeovers and Mergers.

Information on the Vendor and the connection between the parties to the Agreement

CS&S(HK) is an investment holding company which does not carry on any business activities. It is indirectly owned as to approximately 99.3% of its total voting rights by CNSS and as to approximately 0.70% of its total voting rights by an independent third party not being a connected person (as defined under the GEM Listing Rules) of the Company.

Information on Chinasoft Resources and its subsidiaries

Chinasoft Resources, principally engaged in IT outsourcing, is a wholly-owned subsidiary of the Vendor established in the PRC in April 2004. With its major operations located in Beijing, Chinasoft Resources also carries out its IT outsourcing business through its two subsidiaries, Shenzhen Resources and Shanghai Resources.

CNSS, the A-shares of which are listed on the Shanghai Stock Exchange, is principally engaged in software and IT product development and systems integration in the sectors of railway, communication, aviation, taxation and military. In addition, CNSS is also engaged in IT outsourcing through its indirect subsidiaries, Chinasoft Resources, Shenzhen Resources, Shanghai Resources and Dalian Chinasoft. The client profiles of each of Chinasoft Resources and its two subsidiaries on the one hand and of Dalian Chinasoft on the other do not overlap.

Shenzhen Resources is a limited liability company established under the laws of the PRC owned as to 60% by Chinasoft Resources and 40% by two independent third parties which are not connected persons (as defined under the GEM Listing Rules) of the Company.

Shanghai Resources is a limited liability company established under the laws of the PRC owned as to 60% by Chinasoft Resources, as to 5% each by Ms. Tang Min and Mr. Cui Hui, both of whom are Directors, and the remaining 30% by two independent third parties which are not connected persons (as defined under the GEM Listing Rules) of the Company.

Dalian Chinasoft is a limited liability company established under the laws of the PRC owned as to 62% by CNSS and the remaining 38% by six independent third parties which are not connected persons (as defined under the GEM Listing Rules) of the Company.

The IT outsourcing business generally refers to the provision of IT services to high technology and other enterprises which prefer to use their resources in their core competencies and consider outsourcing IT services. Such IT services include customised system and software development, integration, implementation and maintenance according to the customer requirement.

One of the key competitive factors among IT outsourcing service provider is in terms of geographical location. Prospective clients tend to set up their own IT centres in different parts of the PRC in accordance with their own needs. IT outsourcing service providers are therefore required to be located in the same geographic location so that they can promptly respond to the need of their clients and deliver their services on a timely fashion.

The Directors consider that there is no direct competition between Dalian Chinasoft and Chinasoft Resources due to the fact that the IT outsourcing businesses carried out by each of Shenzhen Resources, Shanghai Resources and Dalian Chinasoft primarily focus on clients at the geographical locations in which they operate. Dalian Chinasoft primarily targets at its customers located in Dalian while Shanghai Resources and Shenzhen Resources primarily target at their customers located in Shanghai and Shenzhen respectively. There is thus no non-competition undertaking between Dalian Chinasoft and Chinasoft Resources. The Directors consider that potential competition with CNSS may or may not occur after Completion.

On 25 April 2005, Chinasoft Resources entered into two sale and purchase agreements with the two minority shareholders of Shenzhen Resources, who are independent third parties and are not connected persons (as defined under the GEM Listing Rules) of the Company, to acquire respectively a further 29.8% and 10% equity interest of Shenzhen Resources from its internal resources. The approval and registration of such transfer by relevant PRC authorities is still in progress. Upon the completion of such transfers of equity interest, Chinasoft Resources will hold 99.8% of the total equity interest in Shenzhen Resources. The completion of the transfer of equity interest in Shenzhen Resources is expected to take place around mid-June 2005.

Based on the PRC audited consolidated accounts of Chinasoft Resources for the period from 22 April 2004 (date of incorporation) to 31 December 2004 (as adjusted to HK GAAP), the audited consolidated net tangible asset value of Chinasoft Resources was approximately RMB15.39 million (which is equivalent to approximately HK$14.52 million). For the period from 22 April 2004 (date of incorporation) to 31 December 2004, the PRC audited consolidated net profit before tax and net profit after tax and minority interests but before extraordinary items of Chinasoft Resources (as adjusted to HK GAAP) were approximately RMB9.07 million (which is equivalent to approximately HK$8.56 million) and RMB9.06 million (which is equivalent to approximately HK$8.55 million) respectively. The Company was established by CS&S(HK) on 22 April 2004 with total paid-up capital of RMB 6,621,231 (which is equivalent to approximately HK$ 6,246,444).

The IT outsourcing businesses carried on by Chinasoft Resources, Shenzhen Resources and Shanghai Resources are mainly targeted at Mainland China and US customers located in Beijing, Shenzhen and Shanghai respectively. The Group currently maintains a Research and Development ("R&D") team. Such R&D team is for the use in its solution and software product activities. The Directors consider that the critical factor of IT outsourcing business is not its R&D capabilities. Nevertheless, in the event that the IT outsourcing contract requires R&D facilities, depending on the specific requirements of the customer, Chinasoft Resources and its subsidiaries may utilize the R&D facilities of the customer, the Group, CNSS or other independent third parties as appropriate.

Basis of Directors' valuation of Chinasoft Resources

The issue price of HK$0.77 per Consideration Share represents:

(a) the average closing price of HK$0.77 per Share as quoted on the Stock Exchange for the last five trading days up to 28 April 2005 (being the last trading day prior to the suspension of the trading of the Shares on the Stock Exchange pending the announcement by the Company on the Acquisition);

(b) the closing price of HK$0.77 per Share as quoted on the Stock Exchange on 28 April 2005 (being the last trading day prior to the suspension of the trading of the Shares on the Stock Exchange pending the announcement by the Company on the Acquisition); and

(c) a discount of approximately 12.50% to the closing price of HK$0.88 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

With reference to the issue price of HK$0.77 per Consideration Share and an exchange rate of HK$1.00 to RMB1.06, the issue of the 34,872,453 Consideration Shares upon Completion and a further 23,248,302 Consideration Shares upon meeting the Performance Hurdle for the 51% interest in Chinasoft Resources under the Agreement represent:

(i) a market value of approximately HK$26.85 million (equivalent to approximately RMB28.46 million) and approximately HK$17.90 million (equivalent to approximately RMB18.98 million) respectively;

(ii) historical price/earnings ratio of approximately 6.16 times, being 100% of the valuation of Chinasoft Resources of approximately HK$52.65 million (equivalent to approximately RMB55.80 million) divided by the audited consolidated net profit after taxation and minority interests but before extraordinary items (as adjusted to HK GAAP) of Chinasoft Resources for the period from 22 April 2004 (date of incorporation) to 31 December 2004 of HK$8.55 million (equivalent to approximately RMB9.06 million). The historical price/earnings ratio is calculated as 34,872,453 Consideration Shares at the issue price of HK$0.77 for 51% of equity interest divided by the audited consolidated net profit after taxation and minority interests but before extraordinary items (as adjusted to HK GAAP) of Chinasoft Resources for the period from 22 April 2004 (date of incorporation) to 31 December 2004 of HK$8.55 million (equivalent to approximately RMB9.06 million); and

(iii) forward price/earnings ratio of approximately 7.75 times, being 100% of the valuation of Chinasoft Resources of approximately HK$87.75 million (equivalent to approximately RMB93.02 million divided by Performance Hurdle of HK$11.32 million (equivalent RMB12 million). The forward price/earnings ratio is calculated as the maximum number of 58,120,755 Consideration Shares at the issue price of HK$0.77 for 51% of equity interest divided by Performance Hurdle of HK$11.32 million (equivalent RMB12 million).

The business valuation disclosed refers to the Directors' own valuation on Chinasoft Resources after taking into account:

(1) the price/earnings ratios of Chinasoft Resources;

(2) that the Acquisition will enable the Group to increase its market share in IT outsourcing business; and

(3) that the Acquisition will enhance the client profile of the Group.

The Directors consider that the net asset value is not the most appropriate benchmark for valuation of IT outsourcing business as IT outsourcing business is not an asset-intensive industry. The Directors also consider that the terms of the Acquisition are fair and reasonable and are on normal commercial terms and in the best interest of the Company and the Shareholders as a whole.

Reasons for the Acquisition

The Directors consider that the Acquisition would widen the Group's market share and increase the Group's competitiveness by covering clients with different geographical locations in the IT outsourcing business in the PRC and, hence, maximise the earning base of the Group in the long run. In addition, expanding the IT outsourcing business through the Acquisition with the Vendor, which is a connected person of the Company (and will become a substantial shareholder of the Company upon Completion) can minimise future potential competition in the IT outsourcing between the Group and CNSS.

Furthermore, the Board also considers that with a moderate dilution effect as shown under the section headed 'Shareholding structure before and after the Acquisition' above, the funding of the Acquisition by way of allotment and issue of the Consideration Shares and granting of the Cash Option represents an appropriate means for the Company without having to deplete the working capital of the Group and is, therefore, in the best interest of the Company and its Shareholders as a whole.

Implications on the Financial Accounts of the Company

Prior to the Acquisition, the Company does not hold any interest in Chinasoft Resources or its subsidiaries, namely Shanghai Resources and Shenzhen Resources. Upon Completion, the Company will own 51% of the equity interest in Chinasoft Resources through Chinasoft (HK). Hence, the net financial results of Chinasoft Resources (including earnings, assets and liabilities) will be consolidated into and reflected in the financial results of the Company. Following the Acquisition, 51% of the consolidated financial results of Chinasoft Resources will be consolidated into the financial results of the Company. Therefore, there will be no immediate impact on assets, liabilities and earnings of the Group upon Completion of the Acquisition.

The Directors also consider that the Acquisition would have a positive impact on the earning base and net assets of the Group in the long run and will be beneficial to the Group as well as the Shareholders as a whole.

Connected Transactions

As at the Latest Practicable Date, CS&S (HK) held 112,590,000 Shares representing approximately 16.14% of the total issued share capital of the Company. CS&S (HK) is a substantial shareholder and a connected person (as defined under the GEM Listing Rules) of the Company. The Agreement constitutes a discloseable and connected transaction of the Company under the GEM Listing Rules and is thus subject to the reporting, announcement and independent shareholder's approval requirements under Chapter 20 of the GEM Listing Rules. CS&S (HK) will abstain from voting at the EGM. As at the Latest Practicable Date, as far as the Company was aware, having made all reasonable enquiries :

(a) CS&S (HK) controlled or were entitled to exercise control over the voting rights in respect of the Shares held by itself;

(b) (i) there were no voting trusts or other arrangements or undertakings (other than an outright sale) entered into by or binding upon CS&S (HK); and

(ii) there were no obligations or entitlements of CS&S (HK);

whereby CS&S (HK) had or might have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to third parties, either generally or on a case-by-case basis; and

(c) there were no discrepancies between the beneficial shareholding interests of CS&S (HK) in the Company and the number of Shares in respect of which it would control or would be entitled to exercise control over the voting rights at the EGM.

The Independent Board Committee comprising Mr. He Ning, Mr. Zeng Zhijie and Mr. Au Yeung Shiu Kau, Peter has been formed to advise the Independent Shareholders on the fairness and reasonableness of the Acquisition. SBI E2-Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders in respect of the same.

EGM

Set put on pages 38 to 39 in this circular is a notice convening the EGM to be held at 3:00 p.m. on 22 June 2005 at 27th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong at which a resolution will be proposed to approve the Acquisition. CS&S(HK), being a Shareholder with a material interest in the Acquisition and holding approximately 16.14% of the issued share capital of the Company, will be required to abstain from voting at the EGM, on which voting will be taken by poll.

You will find enclosed a form of proxy for use at the EGM. Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying from of proxy in accordance with the instructions printed thereon to the Company's principal place of business in Hong Kong at Unit 4607-08, 46th Floor, COSCO Tower, No. 183 Queen's Road Central, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of the accompanying form of proxy will not preclude you from attending and voting in person at the EGM should you so desire.

PROCEDURE FOR DEMANDING A POLL

Pursuant to Article 66 of the Articles of Association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless voting by way of poll is required by the GEM Listing Rules or unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded;–

(a) by the chairman of such meeting; or

(b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(c) by any Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or

(d) by any Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to less than one-tenth of the total sum paid up on all the Shares conferring the rights.

A demand by a person as proxy for a Shareholder or in the case of a Shareholder being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a Shareholder.

According to Rule 17.47(4) of the GEM Listing Rules, a vote of the Shareholders taken at a general meeting to approve a connected transaction pursuant to the GEM Listing Rules must be taken on a poll. The resolution to be proposed at the EGM to approve the Acquisition will therefore be decided by poll.

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of SBI E2-Capital, considers that the terms of the Acquisition are fair and reasonable to and in the interest of the independent Shareholders as a whole. Accordingly, the Independent Board Committee recommends the independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM approving the Acquisition and the issue of the Consideration Shares pursuant to the Agreement. The full text of the letter from the Independent Board Committee and the letter from SBI E2-Capital are set out on page 16 and pages 17 to 28 of this circular respectively.

GENERAL

The principal business activities of the Group are the provision of e-government solutions and customised software products, IT consulting and training services, IT outsourcing services and standalone software products for government authorities and respective IT services providers as its main target customers.

You are advised to read carefully the letter from the Independent Board Committee (which contains its recommendation to the independent Shareholders as to voting at the EGM) on page 16, the letter from SBI E2-Capital (which contains its advice to the Independent Board Committee and the independent Shareholders in relation to the Acquisition and the principal factors and reasons it considered in arriving at its opinion) on pages 17 to 28 and other information as set out in this circular. In addition, 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

中软国际

CHINASOFT INTERNATIONAL LIMITED
中軟國際有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 8216)

To the Shareholders, 6 June 2005

Dear Sir or Madam,

As the Independent Board Committee, we have been appointed to advise you in connection with the Acquisition, details of which are set out in the letter from the Board contained in the circular of the Company dated 6 June 2005 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Acquisition and to advise the independent Shareholders as to whether or not it would be fair and reasonable and in the interest of the independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition. SBI E2-Capital has been appointed to advise the Independent Board Committee and independent Shareholders in relation to the Acquisition.

We wish to draw your attention to the letter from the Board and the letter from SBI E2-Capital to the Independent Board Committee and independent Shareholders which contains its advice to us in relation to the Acquisition as set out in this circular.

Having considered the terms of the Acquisition and the advice of SBI E2-Capital in relation thereto as set out on pages 17 to 28 of the Circular, we are of the opinion that the terms of the Acquisition are fair and reasonable to and in the interest of the Company and the Shareholders as a whole. We therefore recommend that you vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition and the issue of the Consideration Shares pursuant to the Agreement.

Yours faithfully,
Independent Board Committee

Mr. He Ning **Mr. Zeng Zhijie** **Mr. Peter Au Yeung Shiu Kau**
Independent Non–Executive Director

* *For identification purpose only*

The following is the text of a letter from SBI E2-Capital to the Independent Board Committee and the Independent Shareholders prepared for the purpose of incorporation in this circular:

The Independent Board Committee
Chinasoft International Limited
Unit 4607 – 8
46th Floor
COSCO Tower
No. 183 Queen's Road Central
Hong Kong

6 June 2005

To the Independent Shareholders of
Chinasoft International Limited

Dear Sir/Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

Acquisition of 51% of the registered capital of
Chinasoft Resources Information Technology Services Limited
("Chinasoft Resources")

INTRODUCTION

We refer to the announcement (the "**Announcement**") issued by Chinasoft International Limited (the "**Company**") dated 9 May 2005 in relation to the Company's proposed acquisition through Chinasoft International (Hong Kong) Limited ("**Chinasoft HK**"), a wholly owned subsidiary of the Company, of 51% of the registered capital of Chinasoft Resources (the "**Acquisition**") by way of an allotment and issue of the Consideration Shares to China National Computer Software & Technology Service Corporation (Hong Kong) Limited (the "**Vendor**"). Details of, inter alia, the terms and conditions of the Acquisition are set out in a circular issued by the Company to its shareholders dated 6 June 2005 (the "**Circular**"), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context herein otherwise requires.

As referred to in the Letter from the Board as set out on pages 4 to15 of the Circular, pursuant to the Agreement, Chinasoft HK conditionally agreed to acquire the Equity Interest from the Vendor which will be satisfied by the allotment and issue of a maximum number of 58,120,755 Consideration Shares, credited as fully paid, to the Vendor with a Cash Option exercisable by the Vendor. Prior to completion of the Acquisition, Chinasoft Resources is wholly-owned by the Vendor. Upon completion of Acquisition, Chinasoft Resources will become an indirectly 51% owned subsidiary of the Company. The Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules. As the Vendor is a connected person of the Company under Rule 20.11(1), the Acquisition also constitutes a connected transaction of the Company under Rule 20.13(1) of the GEM Listing Rules and is subject to the independent Shareholders' approval at EGM.

The Independent Board Committee comprising Messrs He Ning, Zeng Zhijie and Peter Au Yeung Shiu Kau, being independent non-executive Directors, has been established by the Board to advise the independent Shareholders in relation to the Agreement. We, SBI E2-Capital (HK) Limited, have been appointed by the Company to advise the Independent Board Committee and the independent Shareholders as to whether or not (i) the terms and conditions of the Acquisitions are fair and reasonable, based on normal commercial terms and are in the interests of the Company and Shareholders as a whole; and (ii) the issuance of the Consideration Shares with the Cash Option in settlement for the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the Independent Board Committee should recommend the independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to consider and, if thought fit, approve the Acquisition and the issuance of Consideration Shares pursuant to the Agreement, by way of a poll.

KEY ASSUMPTIONS MADE

In formulating our opinion and recommendation to the Independent Board Committee and the independent Shareholders in relation to the Acquisition, we have relied on the accuracy of the information and representations contained in the Circular which have been provided to us by the Directors and which the Directors consider to be complete and relevant. We have assumed that all statements, information and representations made or referred to in the Circular, for which the Directors are solely responsible, were true and correct in all respects at the time they were made and continued to be so as at the date of dispatch of the Circular. We have also assumed that all statement of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and are based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and we have been advised by the Directors that no material facts have been omitted from the information and representations provided in and referred to in the Circular. We consider that we have received sufficient information to enable us to reach an informed view and to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our opinion and recommendation. We have no reason to suspect that any material information has been withheld by the Company or by the Directors. We have not, however, carried out any independent verification of the information provided to us by the Directors, nor have we conducted an independent in-depth investigation into the affairs and the business feasibility of the Company, its subsidiaries and Chinasoft Resources.

In formulating our opinion and recommendation, we have not considered the tax consequences on the Shareholders as a result of the approval (or otherwise) by the independent Shareholders of the Acquisition, since these are particular to the individual circumstances of any Shareholder. It is emphasized that we will not accept responsibility for any tax effects on or liabilities of any person resulting from the approval (or otherwise) by the independent Shareholders of the Acquisition. In particular, any Shareholder who is in any doubt about his/her own tax position in connection with the approval of the Acquisition should consult his/her own professional adviser(s).

PRINCIPAL FACTORS AND REASONS CONSIDERED

As referred to in the Letter from the Board as set out on pages 4 to 15 of the Circular, the Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules. As the Vendor is a connected person (as defined under the GEM Listing Rules) of the Company, the Acquisition also constitutes a connected transaction of the Company under the GEM Listing Rules and is subject to the independent Shareholders' approval requirement. The Vendor, being a Shareholder with a material interest in the Acquisition and holding approximately 16.14% of the issued share capital of the Company as at the Latest Practicable Date ("**LPD**"), will be required to abstain from voting at the EGM, at which voting will be taken by poll. To the best of the Directors' knowledge, none of the associates of the Vendor holds any Share. Therefore all Shareholders, except for the Vendor, are eligible to consider and, if thought fit, vote on the resolution to approve (inter alia) the Acquisition and the issuance of the Consideration Shares pursuant to the Agreement. Accordingly, in this letter of advice, we shall formulate our opinion and recommendation to the Independent Board Committee and to the independent Shareholders in relation to the Acquisition. In arriving at our opinion and recommendation to the Independent Board Committee and to the independent Shareholders in relation to the Acquisition, we have considered the principal factors and reasons set out below:

1. Reasons for the Acquisition

We noted that, as at the **LPD**, the Company wholly and beneficially owned Chinasoft HK. Chinasoft Resources is a wholly-foreign owned enterprise whose registered capital is wholly owned by the Vendor. The Vendor is in turn owned as to 99.3% of its total voting rights by Chinasoft National Software and Service Company Limited ("**CNSS**") and as to 0.7% of its total voting rights by an independent third party who is not connected with the directors, chief executive, substantial shareholders or management shareholders of the Company or any of it subsidiaries or any of their respective associates.

As referred to in the Letter from the Board as set out on pages 4 to 15 of the Circular, Chinasoft HK has conditionally agreed to acquire the Vendor's 51% registered capital of Chinasoft Resources. Upon completion of the Acquisition, Chinasoft Resources will be owned as to 51% and 49% by Chinasoft HK and the Vendor respectively.

From the perspective of contribution to the Group's financial results

As referred in the Letter from the Board as set out on pages 4 to 15 of the Circular, (i) the audited net profit after tax and minority interest but before extraordinary items of Chinasoft Resources for the period from 22 April 2004 to 31 December 2004 (as adjusted to HK GAAP) was RMB9.0 million (equivalent to approximately HK$8.55 million); and (ii) the audited net tangible asset value of Chinasoft Resources for the period from 22 April 2004 to 31 December 2004 (as adjusted to HK GAAP) was approximately RMB15.39 million (equivalent to HK$14.52 million). Pursuant to the Acquisition, the Company will acquire the Equity Interest, and as a result, the Company will beneficially own 51% of Chinasoft Resources. Therefore, a 51% share of Chinasoft Resources' earnings and net tangible assets will be attributable to the Company as referred to above. In this regard, we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole, based on the earnings and net tangible assets attributable to the Equity Interest, being the 51% registered capital in Chinasoft Resources which will be acquired by the Company pursuant the Acquisition.

Based on our foregoing analysis, we consider that if Chinasoft Resources continues to sustain a profitable business, the Acquisition would generate additional financial contributions to the Group's earnings. In this regard, we have noted that Chinasoft Resources reported audited earnings for the financial years ended 31 December 2004 as referred to above.

The merits as well as the growth and development prospects of Chinasoft Resources

We were informed by the Directors and noted that, Chinasoft Resources is principally engaged in IT outsourcing, whereby the services include customized system and software development, integration, implementation and maintenance support according to customer requirements. Chinasoft Resources was the first Microsoft strategic alliance partner in the PRC. It is also the top 15 IBM core service providers in the PRC and is certified as the Class A offshore outsourcing company by the Ministry of Science & Technology of the PRC. In addition, Chinasoft Resources has long-term stable clients including Microsoft, Oracle, Huawei Technologies, HP, Nokia, Lucent, IBM, Computer Associates etc.

According to a report issued in July 2004 by an international research house, International Data Corporation ("**IDC**"), they suggested that the size of the IT outsourcing market in the PRC was amounted to approximately US$449.4 million (equivalent to approximately HK$3,505.3 million) in 2004 which accounted for approximately 9.9% of the total IT service market in the PRC. Under IDC's definition, IT outsourcing referred to the contracting by an organization with a third party for the management and enhancement of ongoing operations for all or part of its IT infrastructure, IT functions, business processes or business solutions. IDC also expected the IT outsourcing market to grow at a compound annual growth rate of 44.2% from 2003 to 2008, hitting US$1,985.4 million (equivalent to approximately HK$15,486.1 million) in 2008, accounting for 17.1% of the total IT service market. Furthermore, IDC found that manufacturers and financial service providers spent the most in IT outsourcing in 2003. In this regard, we believe that the Group is able to capitalize on Chinasoft Resources' skills and expertise in developing and marketing IT outsourcing solutions, and to reap the benefits of the growth and development prospect in the PRC as discussed above.

Therefore, we consider that the Acquisition is in the interests of the Company and the Shareholders as a whole as we are adviced by the Company that the Group is able to expand its market share, increase the Group's competitiveness, broaden the Group's revenue base and to benefit from future growth and development prospects arising therefrom.

Direct competition between Dalian Chinasoft and Chinasoft Resources

As stated in the Letter from the Board as set out on pages 4 to 15 of the Circular, there is no direct competition between Dalian Chinasoft and Chinasoft Resources. The IT outsourcing businesses carried out by each of Chinasoft Resources' subsidiaries and Dalian Chinasoft were primarily focused on clients at the geographical locations in which they operate. Dalian Chinasoft primarily targets at its customers located in Dalian whereas other Chinasoft Resources' subsidiaries operate in different regions. There is thus no non-competition undertaking between Dalian Chinasoft and Chinasoft Resources. As adviced by the Directors, potential competition may or may not occur with CNSS after the completion of the Acquisition.

Based on the current arrangement, we consider that if Chinasoft Resources and its subsidiaries, and Dalian Chinasoft are responsible for their own regions and all appropriate measures are in place to ensure that the client profiles do not overlap, we concur with the view of the Directors that there is no direct competition between Chinasoft Resources and Dalian Chinasoft, and the Acquisition is fair and reasonable and in the interest of the Company and Shareholders as a whole.

Overall

Based on various factors mentioned above, we are of the view that given (i) the earnings attributable to the Equity Interest which will be acquired by the Company pursuant to the Acquisition, based on Chinasoft Resources' historical financial statements for the period from 22 April 2004 to 31 December 2004; and (ii) the merits as well as the growth and development prospect of Chinasoft Resources' business operations, the Acquisition is fair and reasonable and is in the interests of the Company and Shareholders as a whole.

2. Consideration payable by the Company for the Acquisition

As referred to in the Letter from the Board as set out on pages 4 to 15 of the Circular, the Company shall allot and issue the Consideration Shares, being a maximum number of 58,120,755 new Shares in the capital of the Company, as consideration for the Acquisition. The Consideration Shares will be issued in two portions: (i) 34,872,453 Consideration Shares will be issued to the Vendor upon completion of Acquisition; and (ii) if the audited consolidated net profit of Chinasoft Resources after taxation and minority interests and before extraordinary items for the year ending 31 December 2005 according to the audited consolidated financial statements of Chinasoft Resources prepared in accordance with HKGAAP is not less than RMB12 million ("**Performance Hurdle**"), 23,248,302 Consideration Shares will be issued to the Vendor. In addition, subject to completion and the satisfaction of the Performance Hurdle, the Chinasoft HK has granted an option to the Vendor to require the Chinasoft HK to procure the Company to pay an amount of HK$17,901,193 ("**Cash Offer**") to the Vendor instead of the issue and allotment of the second portion of the Consideration Shares.

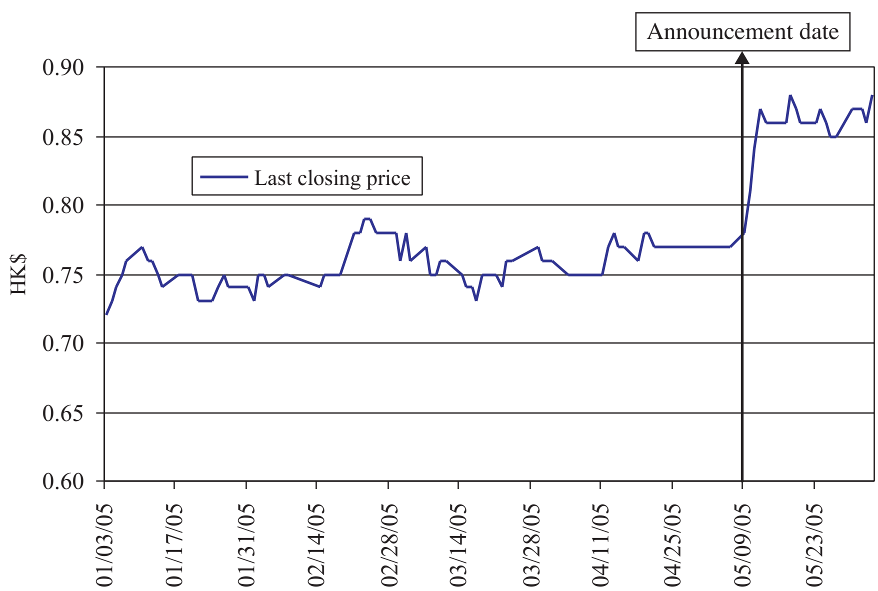
We consider that the settlement of the consideration payable by the Company for the Acquisition, primarily in form of an issue of the Consideration Shares, will not have any material impact to the Group's cashflow position. Furthermore, the Cash Offer being granted by Chinasoft HK is an alternative to the Vendor which is subject to the Performance Hurdle. We are of the view that such Performance Hurdle arrangement is to the benefit of the Company, whereby, if in any case, Chinasoft Resources cannot meet the target as agreed, no second portion of the consideration will be paid to the Vendor. In addition, the Cash Offer will be made out of internal resources of the Group and will not incur any external bank borrowings of the Group. Therefore, we consider that there will not be any material impact on the Group's existing gearing level of 14% or any additional burden or interest costs to be borne by the Group. In such regards, we are of the view that the settle of the consideration payable by the Company for the Acquisition, in form of an issue of the Consideration Shares with Cash Option, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

3. Valuation of the Equity Interest implied in the consideration payable for the Acquisition

We noted that, based on the issue price of HK$0.77 as quoted on the Stock Exchange for the last five trading days up to 28 April 2005, the issue of the 34,872,453 Consideration Shares upon completion of the Acquisition and further 23,248,302 Consideration Shares upon meeting the Performance Hurdle, the consideration payable by the Company for the Acquisition amounts to approximately HK$26.85 million and approximately HK$17.90 million respectively. Therefore, the total aggregate consideration payable by the Company for the Acquisition will amount to approximately HK$44.75 million.

Also, based on the closing Share price of HK$0.88 as at the LPD, the issue of the 34,872,453 Consideration Shares upon completion of the Acquisition and further 23,248,302 Consideration Shares upon meeting the Performance Hurdle, the consideration payable by the Company for the Acquisition will amount to approximately HK$30.69 million and approximately HK$20.46 million respectively. The total aggregate consideration payable by the Company for the Acquisition will therefore be approximately HK$51.15 million.

In addition to the above, we have also reviewed the performance of the traded prices of the Shares during the period commencing from 1 January 2005 to the LPD ("**Period**"). The relevant Share price performance chart during the Period is illustrated as follows:



Source: Bloomberg

We have noted that during the Period, (i) the highest Share price was HK$0.88; (ii) the lowest Share price was HK$0.72; (iii) the average Share price was approximately HK$0.77; (iv) and the latest Share price as at LPD was HK$0.88. The issue price of HK$0.77 represents a discount of approximately 12.5%, a premium of approximately of 7%, a level approximately at par and a discount of approximately 12.5% respectively to each of the aforementioned Share price benchmarks. As illustrated in the above share price chart, the trading prices of the Shares prior to the date of the Announcement were largely between the range of HK$0.70 to HK$0.80 and the average traded Share price was approximately HK$0.77. In this regard, we are of the view that the issue price of HK$0.77 has been determined on a fair and reasonable basis. Furthermore, we have also noted that the Share price has increased from HK$0.78 as of the date of the Announcement to HK$0.88 as at the LPD, representing an increase of approximately 12.8%. We are of the view that the increase in the post-Announcement Share price reflects that the Acquisition has been well received by the investors and such increase in Share price after the Announcement is not relevant to the issue price.

As referred to in the Letter from the Board as set out on pages 4 to 15 of the Circular, based on Chinasoft Resources' audited net profit after tax for the period from 22 April 2004 (date of incorporation) to 31 December 2004 (as adjusted to HKGAAP) is approximately RMB9.06 million (equivalent to approximately HK$8.55 million). Assuming that the Performance Hurdle could not be fulfilled and the second portion of Consideration Shares would not be distributed, the consideration would amount to approximately HK$26.85 million, being 51% of the valuation of Chinasoft Resources, and the valuation of approximately HK$52.65 million, being 100% of the valuation of Chinasoft Resources, represents a historical price/earnings multiple of approximately 6.16 times (HK$52.65 million, being 100% of the valuation of Chinasoft Resources, divided by HK$8.55 million, being the approximate earnings of Chinasoft Resources for the period from 22 April 2004 to 31 December 2004). Furthermore, Chinasoft Resources' audited net tangible asset value as at 31 December 2004 (as adjusted to HKGAAP) was approximately RMB15.39 million (equivalent to approximately HK$14.52 million). Assuming that the Performance Hurdle could not be fulfilled and the second portion of Consideration Shares would not be distributed, the consideration would amount to approximately HK$26.85 million, being 51% of the valuation of Chinasoft Resources, and the valuation of approximately HK$52.65 million, being 100% of the valuation of Chinasoft Resources, represents a historical price/book ratio of approximately 3.62 times (HK$52.65 million, being 100% of the valuation of Chinasoft Resources, divided by HK$14.52 million, being the approximate audited net tangible asset value as at 31 December 2004 of Chinasoft Resources). As advised by the Directors, there is no formal valuation report issued on Chinasoft Resources.

In addition, assuming that Chinasoft Resources could fulfill the Performance Hurdle (based on the net profit of HK$11.32 million), the consideration would amount to approximately HK$44.75 million, being 51% of the valuation of Chinasoft Resources, and the valuation of approximately HK$87.75 million (being 58,120,755 Consideration Shares multiplied by the issue price of HK$0.77 as quoted on the Stock Exchange for the last five trading days up to 28 April 2005 (being the last trading day prior to the suspension of the trading of the Shares on the Stock Exchange) divided by 51%), being 100% of the valuation of Chinasoft Resources, will represent a forward price/earnings multiple of approximately 7.75 times (HK$87.75 million, being 100% of the valuation of Chinasoft Resources, divided by HK$11.32 million, being the approximate earnings of Chinasoft Resources for the period from 22 April 2004 to 31 December 2004).

For the purpose of evaluating the price/earnings multiple and the price/book ratio as implied by the consideration payable by the Company for the Acquisition, and hence in evaluating whether or not the consideration payable by the Company for the Acquisition is on normal commercial terms, we have researched into a number of listed companies on the Stock Exchange which are engaged in the development and marketing of IT solutions software and related businesses (the "**Reference Companies**"). Given the limited number of IT outsourcing companies listed in Hong Kong, we have therefore extended our comparable coverage to IT companies which are in similar nature of businesses (which include providing business processes or business solutions to clients) but may not be fully the same as Chinasoft Resources. We have studied all the IT companies listed on the Stock Exchange and have used the following selection criteria as our basis. The selection criteria of such Reference Companies are based on the business nature and the fulfillment of either one of the following conditions; (i) IT outsourcing related, (ii) being contracted by clients in respect of the development of IT functions, business processes or business solutions, and/or (iii) focusing on management software application. The relevant market statistics of all Reference Companies (which have fulfilled the above criteria and are listed on the Stock Exchange) are set out below:–

Company	Principal business activities	Closing share price as at the LPD	Earnings per share as at 31 December 2004		Net asset value per share as at 31 December 2004		Historical price/ earnings multiple	Historical price/ book ratio
		(A)	(B)		(C)		(A)/(B)	(A)/(C)
		HK$	*RMB*	*HK$*	*RMB*	*HK$*	*(times)*	*(times)*
Chinasoft International Limited	Develops and provides IT solutions (including IT consulting, IT outsourcing, etc.) in China	0.880	0.054	0.051	0.290	0.273	17.25	3.22
Kingdee International Software Group Company Limited	Develops and sells enterprise management software, e-commerce application software and middle software	1.54	0.120	0.113	0.709	0.666	13.63	2.31
Shine Software (Holdings) Limited *(note 1)*	Provides systems platforms, application software and technical support services for participants of Primary Clearing System and Secondary Clearing System in the PRC	0.180	0.001	0.001	0.100	0.094	180.00	1.91
Shanghai Jiaoda Withub Information Industrial Company Limited	Researches and develops network security systems and provides business application solutions	0.209	(0.002)	(0.002)	0.966	0.908	N/A	0.23
Sinocom Software Group Limited	Provides outsourcing software development services to customers in the information technology sector in Japan.	6.050	N/A	0.230	N/A	0.981	26.30	6.17
Travelsky Technology Limited	Provides information technology solutions to air travel, air cargo systems, civil aviation and tourism industries in the PRC	6.200	0.510	0.479	3.644	3.425	12.94	1.81
Hi Sun Technology (China) Limited	Provides business and technology consulting services and solutions	0.4	N/A	(0.004)	N/A	0.146	N/A	2.73
Pioneer Global Group Limited	Provides telecom, infrastructure, IT consultancy, IT outsourcing etc.	0.520	N/A	0.029	N/A	0.746	17.93	0.70
Simple average							17.61	2.39
Chinasoft Resources (assuming no second portion of Consideration Shares are payable)							6.16	3.62
Chinasoft Resources (assuming second portion of Consideration Shares are payable)							7.75	N/A

Source: Bloomberg

Note 1: The price/earnings multiple of Shine Software (Holdings) Limited is not considered as proper comparison because the multiple is calculated as high as 180 times which would distort the analysis in the table as a whole.

Based on the foregoing statistics, we have noted that the historical price/earnings multiple of approximately 6.16 times as implied by the consideration payable by the Company for the Acquisition is lower than the corresponding average historical price/earnings multiple (based on closing share prices of the Reference Companies as at the LPD) by approximately 65% as demonstrated by the Reference Companies. Also, we noted that the forward price/earnings multiple of approximately 7.75 times as implied by the consideration payable by the Company for the Acquisition is lower than the corresponding average historical price/earnings multiple (based on closing share prices of the Reference Companies as at the LPD) by approximately 56% as demonstrated by the Reference Companies. Nevertheless, we have noted that the historical price/book ratio of approximately 3.62 times as implied by the consideration payable by the Company for the Acquisition is higher than the corresponding average historical price/book ratio (based on closing share prices of the Reference Companies as at the LPD) by approximately 51% as demonstrated by the Reference Companies. In this regard, we noted from our discussions with the Directors that Chinasoft Resources is one of the leading IT outsourcing service providers and is certified as Class A offshore IT outsourcing company by the Ministry of Science & Technology of the PRC. In addition, Chinasoft Resources has generated a net profit of RMB9.06 million (which is equivalent to approximately HK$8.55 million) in less than one year since its establishment in April 2004. As discussed in the paragraph headed "Reasons for the Acquisition" above, during such year, Chinasoft Resources was the first Microsoft strategic alliance partner in China and is one of the top 15 IBM core service providers in China. There are also good prospects for Chinasoft Resources' business, given that the expected increase in the IT outsourcing solution market within the PRC's IT sector will grow at a compound annual growth rate of 44.2% from 2003 to 2008, hitting US$1,985.4 million (equivalent to approximately HK$15,486.1 million) in 2008, according to the relevant IDC report reviewed by us. We are advised by the Board that Chinasoft Resources is able to capitalize on its skills and expertise in the IT outsourcing market in the PRC, and to reap the benefits of future growth prospect arising therefrom. In such regard, we are of the view that since the price/earnings multiple is in discount comparing to the Reference Companies, therefore, we considered the Acquisition is still fair and reasonable and is still in the interest of the Company and the Shareholders as a whole.

By contrast, the majority of the Reference Companies are predominantly engaged in the development and marketing of IT solutions as well as software development, which do not directly target IT outsourcing market. Therefore, the Reference Companies may operate under business models different from that of Chinasoft Resources, and do not enjoy the relevant market segment in the PRC's IT sector as in the case of Chinasoft Resources. Accordingly, the Board confirms to us that Chinasoft Resources' business segment offers it with competitive advantages which justify a premium in its business valuation (and hence a premium in its price/book ratio) when compared with the generality of IT solutions companies, such as the Reference Companies. However, we are of the view that given the nature of the industry are not asset intensive in nature, price/earnings multiple is more appropriate as an indicator for comparison whereas price/book ratio shall only be used as a reference. Therefore, based on the foregoing, we are of the view that the consideration payable by the Company for the Acquisition is determined on a fair and reasonable basis and on normal commercial terms.

4. Effect on the existing Shareholders' beneficial interest in the Company

As stated in the Letter from the Board as set out on pages 4 to 15 of the Circular, the Consideration Shares (assuming that the Vendor is entitled to receive the maximum number of 58,120,755 Consideration Shares) represent (i) approximately 8.3% of the Company's existing issued share capital; or (ii) approximately 7.7% of the Company's resulting issued share capital as enlarged by the issue of the Consideration Shares upon completion of the Acquisition.

Set out below is the dilutive effect on the relevant existing Shareholders' beneficial interests in the issued share capital of the Company as a result of completion of the Acquisition:–

	Before the Acquisition as at the LPD		After the Acquisition (assuming the Cash Option is not exercised)		Dilution	After the Acquisition (assuming the Cash Option is exercised)		Dilution
	Shares	%	Shares	%	%	Shares	%	%
Far East Technology International Limited	176,889,822	25.4	176,889,822	23.4	7.7	176,889,822	24.2	4.8
Authorative Industries Limited	57,485,834	8.2	57,485,834	7.6	7.6	57,485,834	7.9	4.7
ITG Venture Capital Limited	46,942,288	6.7	46,942,288	6.2	7.7	46,942,288	6.4	4.8
Prosperity International Investment Corporation	39,790,136	5.7	39,790,136	5.3	7.5	39,790,136	5.4	4.7
Directors								
Chen Yuhong	22,967,472	3.3	22,967,472	3.0	7.6	22,967,472	3.1	4.6
Cui Hui	22,967,472	3.3	22,967,472	3.0	7.6	22,967,472	3.1	4.6
Peng Jiang	7,017,838	1.0	7,017,838	0.9	7.9	7,017,838	1.0	5.0
Public Shareholders	210,849,138	30.2	210,849,138	27.9	7.6	210,849,138	28.8	4.6

Therefore, based on the foregoing, we have noted that the beneficial shareholding of the relevant existing Shareholders would be diluted by between 7.5% and 7.9% (assuming the Cash Option is not exercised); and between 4.6% and 5.0% (assuming the Cash Option is exercised) upon completion of the Acquisition. However, in assessing the fairness and reasonableness of the Acquisition, we consider that it would be appropriate to evaluate the effects of the Acquisition based on the Group's earnings and net tangible asset value.

In terms of earnings

Following the completion of the Agreement, the Group will be able to share the profit or loss of Chinasoft Resources attributable to the Equity Interest, being 51% of Chinasoft Resources' net profit and loss after tax. Given our observation that Chinasoft Resources has demonstrated an audited earnings record since its establishment in April 2004, we may uphold our assumption that the Acquisition would generate additional financial contributions to the Group's earnings if Chinasoft Resources continues to sustain a profitable business. Accordingly, we consider that the Acquisition is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

In terms of net tangible assets

We have noted that the Group reported audited net tangible assets of approximately RMB199.40 million (equivalent to approximately HK$187.44 million) as at 31 December 2004. Other than the payment of consideration by the Company to be satisfied by either (i) the issuance of a maximum number of 58,120,755 Consideration Shares or (ii) the issuance of 34,872,453 Consideration Shares with Cash Option, at the closing Share price on the date of completion of the Agreement (subject to Performance Hurdle), the Acquisition will not have any significant effect on the Group's net tangible assets upon completion of the Agreement. Accordingly, we consider that the Acquisition is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

5. Non-disposal undertaking of the Consideration Shares

As referred to in the Letter from the Board as set out on pages 4 to 15 of the Circular, the Vendor has undertaken to, and covenanted with, the Company that it shall not, for a period of 12 months after the date of issue and allotment of the relevant portion of the Consideration Shares, sell, transfer, grant any option on or otherwise dispose of (or enter into any agreement to sell, transfer, grant any option on or otherwise dispose of), nor permit the registered holder to sell, transfer, grant any option on or otherwise dispose of (or enter into any agreement to sell, transfer, grant any option on or otherwise dispose of) any of its direct or indirect interest (as the case maybe) in such portion of the Consideration Shares.

We consider that the abovementioned non-disposal undertaking by the Vendor in respect of the Consideration Shares is a fair and reasonable arrangement, for reason that during the lock-up period in respect of the Consideration Shares as referred to above, the Shareholders would not be exposed to any adverse impact attributable to any irregular trading of the Shares in the market and/or any downward pressure in the market price of the Shares which maybe caused solely by the Vendor's market disposal of a substantial number of Consideration Shares, or by the Vendor's market disposal of Consideration Shares in a disorderly manner. Therefore, we consider that the Vendor's non-disposal undertaking would offer protection to the Shareholders' investments in the Shares, and would constitute an arrangement which we consider to be fair and reasonable to the Shareholders.

RECOMMENDATIONS

Having considered the principal factors and reasons and the key assumptions adopted by us as referred to in our analysis and evaluation above, we are of the view that although it is not in the ordinary and usual course of business of the Company to contemplate the Acquisition, we have taken note of the earnings and net tangible assets attributable to the Equity Interest which will be acquired by the Company pursuant to the Acquisition based on Chinasoft Resources' historical financial statements for the year ended 31 December 2004. Furthermore, as a result of the Acquisition, the Company will acquire 51% of the total registered capital in Chinasoft Resources, and it enables the Group to consolidate its board and management control in Chinasoft Resources which will essentially be the Group's principal operating subsidiary and the relevant business operation has demonstrated merits as well as growth and development prospects. Accordingly, we are of the view that the Acquisition is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

Based on the various factors and reasons stated above including that (i) the terms and conditions of the Acquisitions are (a) fair and reasonable; (b) based on normal commercial terms; and (c) in the interests of the Company and Shareholders as a whole; and (ii) the issuance of the Consideration Shares with the Cash Option in settlement for the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole, we would advise the Independent Board Committee to recommend the independent Shareholders to vote in favour of the Acquisition and the issuance of the Consideration Shares with Cash Option pursuant to the Agreement by way of a poll at the EGM.

Yours faithfully,
For and on behalf of
SBI E2-Capital (HK) LIMITED
Ronald Wan
Executive Director

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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.

SHARE CAPITAL AND OPTIONS

The authorized and issued capital of the Company as at the Latest Practicable date were, and immediately following the completion of the Acquisition will be, as follows:

Authorised:		*HK$*
1,500,000,000	Shares	75,000,000.00
Issued and to be issued and fully paid:		
697,500,000	Shares as at the Latest Practicable Date	34,875,000.00
34,872,453	Consideration Shares to be issued pursuant to the Acquisition upon Completion	3,906,037.75
732,372,453	Total issued Shares upon Completion of the Acquisition	38,781,037.75
23,248,302	Consideration Shares to be issued if the Performance Hurdle is met and the Vendor does not exercise the Cash Option	1,162,415.10
755,620,755	Total issued Shares	39,943,452.85

All the Shares presently in issue rank pari passu in all respects as regards voting, dividends and return of capital. The Consideration Shares will rank pari passa in all respects with other Shares in issue as at the date of issue and allotment of the Consideration Shares.

An application has been made to the GEM Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interest of the Directors in the 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) Shares

Name of Directors	Capacity	Nature of Interest	Number of Shares held	Percentage of total issued share capital
Chen YuHong	Beneficial Owner	Personal	22,967,472	3.29%
Cui Hui	Beneficial Owner	Personal	22,967,472	3.29%
Peng Jiang	Beneficial Owner	Personal	7,017,838	1.01%

(b) Share Options

Name of Directors	Exercise Price *(HK$)*	No. of share options outstanding as at the Latest Practicable Date	Percentage of total issued share capital	*Note*
Chen Yuhong	0.58	1,200,000	0.17%	*(1)*
	0.65	5,000,000	0.72%	*(2)*
Cui Hui	0.65	500,000	0.07%	*(2)*
Duncan Chiu	0.65	1,000,000	0.14%	*(2)*
Peng Jiang	0.58	800,000	0.11%	*(1)*
	0.65	3,000,000	0.43%	*(2)*

Notes:

(1) These share options were offered on 13 August 2003 under the Share Option Scheme and accepted on 27 August 2003. The 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 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**
13/05/2004	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

SHARE OPTION SCHEME

As at the Latest Practicable Date, share options to subscribe for an aggregate of 20,540,000 Shares of HK$0.05 each in the capital of the Company were granted to certain Directors and employees of the Group pursuant to the Share Option Scheme with terms on the exercise of the share options granted as set out in Notes (1) and (2) in the section headed "Directors' Interests" in this appendix.

Save as disclosed above, 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 Shares which were notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in Shares

Name	**Type of interest**	**Approximate number of Shares** *(million)*	**Approximate percentage of shareholding**
Far East Technology International Limited ("Far East") *(Note 1)*	Registered and beneficial owner	176.89	25.36%
Authorative Industries Limited ("Authorative") *(Note 2)*	Registered and beneficial owner	57.49	8.24%
Yue Qianming *(Note 2)*	Interest of controlled corporation	57.49	8.24%
ITG Venture Capital Limited ("ITG") *(Note 3)*	Registered and beneficial owner	46.94	6.73%
Zhou Qi *(Note 3)*	Interest of controlled corporation	46.94	6.73%
Prosperity International Investment Corporation ("Prosperity") *(Note 4)*	Registered and beneficial owner	39.79	5.70%
Joseph Tian Li *(Note 4)*	Interest of controlled corporation	39.79	5.70%
CS&S(HK) *(Note 5)*	Beneficial owner	170.71	24.47%
CNSS *(Note 6)*	Interest of controlled corporation	170.71	24.47%
Chinasoft (HK) *(Note 7)*	person acting in concert	170.71	24.47%

Notes:

1. Mr. Duncan Chiu and Mr. David Chiu, an executive Director and a non-executive Director respectively are nominated by Far East. Both Mr. Duncan Chiu and Mr. David Chiu are directors of Far East.

2. The entire issued share capital of Authorative is beneficially owned by Mr. Yue Qianming. Mr. Yue Quianming is taken to be interested in the Shares held by Authorative.

3. The entire issued share capital of ITG is beneficially owned by Mr. Zhou Qi. Mr. Zhou Qi is taken to be interested in the Shares held by ITG.

4. The entire issued share capital of Prosperity is beneficially owned by Mr. Joseph Tian Li. Mr. Joseph Tian Li is taken to be interested in the Shares held by Prosperity.

5. CS&S(HK) is interested in 112,590,000 Shares it beneficially owns, and is taken to be interested in the maximum number of the Consideration Shares which it is conditionally entitled to be allotted under the Agreement.

   Ms. Tang Min, a Director, is a director of CS&S(HK).

6. CNSS is taken to be interested in the Shares which CS&S (HK), its subsidiary, is interested in.

   Mr. Cui Hui, a Director, is a director of CNSS. Mr. Cui Hui and Dr. Chen Yuhong, another Director, are both senior vice presidents of CNSS.

7. Chinasoft (HK) entered into an agreement with CS&S (HK) on 24 June, 2004 for the acquisition by CS&S (HK) of Shares which contained provisions imposing restrictions on CS&S (HK) with respect to the disposal of its interest in those Shares. As such agreement is one to which section 317 of the SFO applies, Chinasoft (HK) is taken to be interested in the Shares which CS&S (HK) is interested in.

   Dr. Chen Yuhong, Mr. Duncan Chiu and Mr. David Chiu, all being Directors, are directors of Chinasoft (HK).

Save as disclosed above, so far as was known to the Directors as at the Latest Practicable Date, (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 the required standard of dealings by directors of listed issuer as referred to in rule 5.46 of the GEM Listing Rules; (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.

SPONSORS' INTERESTS

As updated and notified by the Company's sponsor, Oriental Patron Asia Limited ("Oriental Patron"), neither Oriental Patron nor its directors, employees or associates had any interests in the share capital of the Company as at the Latest Practicable Date pursuant to Rules 6.35 and 18.63 of the GEM Listing Rules.

Pursuant to the agreement dated 9 June 2003 which was entered into between the Company and Oriental Patron, Oriental Patron has received and will receive a fee for acting as the Company's retained sponsor for the period from 20 June 2003 to 31 December 2005 or until such agreement is terminated upon the terms and conditions set out therein.

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 important known by the Directors to be pending or threatened against any member of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

(a) Ms. Tang Min has entered into a service contract with the Company for an initial term of 2 years which commenced on 30 September 2004 at a monthly salary of RMB 10,000. Such service contract shall continue until terminated by either party giving to the other not less than three month's notice, such notice not to be given before the expiry of the initial term of two years.

(b) Save as disclosed above, as at the Latest Practicable Date, none of the Directors has entered into any service contact with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

(c) Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31st December, 2004 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by, or leased to the Company or any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

(d) Save as disclosed herein, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular and which is significant in relation to the business of the Group.

EXPERT

The following is the qualification of the expert who has given opinion or advice which are contained in this circular:

Name	Qualification
SBI E2-Capital (HK)	A licensed corporation to carry out types 1,4,6 and 9 regulated activities (dealing in securities, advising in securities, advising on corporate finance and asset management) under the SFO

As at the Latest Practicable Date:–

(a) SBI E2-Capital (HK) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to or from any member of the Group since 31 December 2004 (the date to which the latest published audited consolidated accounts of the Company were made up) or proposed to be so acquired, disposed of or leased; and

(b) SBI E2-Capital (HK) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

CONSENT

SBI E2-Capital (HK) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

As at the Latest Practicable Date, Mr. Cui Hui, an executive Director, was interested in approximately 1.34% of the issued share capital of CNSS and also served as a director of CNSS. In addition, each of Mr. Cui Hui and Dr. Chen Yuhong had been appointed as a senior vice president by CNSS since December 2003. Although the Directors are of the view that the principal activities of CNSS do not directly compete with those of the Group currently, the Group and CNSS however are both engaged in the provision of IT outsourcing.

Save as disclosed above, none of the Directors or the substantial 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.

NO MATERIAL ADVERSE CHANGE

Since 31 December 2004, being the date to which the latest published audited accounts of the Company have been made up, the Directors are not aware of any material adverse change in the financial or trading position 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 Qualified Accountant and the Secretary of the Company is Mr. Fok Ming Fuk, HKICPA, ACCA.

(c) The Compliance Officer of the Company is Dr. Chen Yuhong.

(d) 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.

(e) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail.

(f) The Company established an audit committee on 2nd 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 provide supervision over the financial reporting process and internal control system of the Group. The audit committee has three members comprising the two independent non-executive Directors, namely Mr. He Ning and Mr. Zeng Zhijie and a non-executive Director, Dr. Chen Qiwei.

Mr. He Ning (何寧), aged 44, 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 (曾之杰), aged 35, 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, since October 2001.

Dr. Chen Qiwei (陳琦偉), aged 50, was appointed as a non-executive Director on 14 June 2002. Dr. Chen has been a director of Asia Business Consulting Co. Limited since February 1999 and has been a professor of 上海交通大學 (Shanghai Communications University) since September 1997. He is also a committee member of various economic institutions such as China Society for Research on Economic System Reform, Chinese Society of World Economy and Chinese Association of Asia-Pacific Studies in the PRC. Dr. Chen holds a doctorate degree in economics from 華東師範大學 (East China Normal University) in 1988 and has over 10 years' experiences in the finance and investment industry in the PRC.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at any weekday (public holiday excepted) at the Company's registered office, Units 4607-08, 46th Floor, COSCO Tower, No. 183 Queen's Road Central, Hong Kong from the date of this circular up to and including the date of the EGM:

(i) the Agreement;

(ii) the letter from SBI E-2 Capital to the Independent Board Committee and the independent Shareholders, the text of which is set out on pages 17 to 28 of this circular;

(iii) the letter from the Independent Board Committee to the independent Shareholders, the text of which is set out on page 16 of this circular;

(iv) the written consent referred to in paragraph headed "Consent" in this appendix; and

(v) the service contract of Ms. Tang Min as referred to above.

中软国际

CHINASOFT INTERNATIONAL LIMITED
中 軟 國 際 有 限 公 司 *

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 8216)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Chinasoft International Limited will be held at 3:00 p.m. on 22 June 2005 at 27th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution, with or without amendment, as an ordinary resolution:

ORDINARY RESOLUTION

"THAT

(a) the agreement for the acquisition of 51% of the equity interest of 北京中軟資源信息技術服務有限公司 (Chinasoft Resources Information Technology Services Limited) (a copy of which has been produced at this meeting and marked as "Exhibit-A" and signed by the chairman of the meeting for the purpose of identification) between Chinasoft International (Hong Kong) Limited, a wholly-owned subsidiary of the Company, and China National Computer Software & Technology Service Corporation (Hong Kong) Limited dated 28 April, 2005 (the "Agreement") (details of which are set out in the circular of the Company dated 6 June 2005 to its shareholders) and all transactions contemplated thereby be and are hereby approved, confirmed and ratified;

(b) the issue by the Company of a maximum number of 58,120,755 new ordinary shares of HK$0.05 each in the capital of the Company to China National Computer Software & Technology Service Corporation (Hong Kong) Limited as the consideration for the acquisition of 51% of the equity interest of 北京中軟資源信息技術服務有限公司 (Chinasoft Resources Information Technology Services Limited) pursuant to the Agreement be and is hereby approved; and

(c) the directors of the Company be and are hereby authorized to do all such things and sign, seal, execute, perfect, perform and deliver all such documents for and on behalf of the Company as they may in their absolute discretion consider necessary or desirable or expedient to give effect to the Agreement or for the implementation of all transactions thereunder."

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

* *for identification purpose only*

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

Hong Kong, 6 June 2005

Notes:

(1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and to vote instead of them. A proxy need not be a member of the Company.

(2) Where there are join holders of any share any one of such joint holder may vote, either in person of by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other join holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

(3) A form of proxy for use at the meeting is enclosed.

(4) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited at the principal place of business of the Company in Hong Kong at Units 4607-08, 46th Floor, COSCO Tower, No. 183 Queen's Road Central, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting.