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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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

This announcement, for which the directors of Chinasoft International Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* *For identification purpose only*

HIGHLIGHTS

Annual Results for 2007

	2007	**2006**	**changes**
	RMB'000	*RMB'000*	
Total revenue	811,552	355,236	+128%
EBITDA	110,921	83,795	+33%
EBITA	98,805	77,299	+28%
Profit (loss) for the year	122,540	(63,853)	N/A
Profit attributable to shareholders	115,445	(66,593)	N/A
Earnings (loss) per share	0.1344	(0.0891)	N/A
Final dividend per share	HK$0.005	HK$0.001	+500%

- Accomplished a net profit of approximately RMB122,540,000 for the year 2007 (2006: Loss of approximately RMB63,853,000)

- Achieved a turnover of approximately RMB811,552,000 for the year 2007 (2006: RMB355,236,000)

- Basic earnings per share of the Company was approximately RMB0.1344 for the year 2007 (2006: RMB0.0891 loss)

- EBITDA of approximately RMB110,921,000 (2006: RMB83,795,000)

- The Directors recommend the payment of a final dividend of HK$0.005 per share for the year 2007

To ascertain the entitlement of shareholders to the final dividend payable on Monday 30 June 2008 the register of members of the Company will be closed from Monday 5 May 2008 to Thursday 8 May 2008 (both days inclusive).

2007 ANNUAL RESULTS

The Board of Directors (the "Directors") of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December, 2007, together with the comparative figures of the Company for the year ended 31 December in 2006, as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	**2007**	2006
		RMB'000	*RMB'000*
Turnover	*4*	**811,552**	355,236
Cost of sales		**(545,157)**	(186,338)
Gross profit		**266,395**	168,898
Other income		**11,714**	9,147
Selling and distribution costs		**(45,456)**	(20,631)
Administrative expenses		**(131,028)**	(78,082)
Allowance for doubtful debts		**(2,820)**	(2,033)
Amortisation of intangible assets and trademark use right		**(14,514)**	(8,364)
Impairment loss recognised in respect of technical expertise		**(1,735)**	(1,087)
Impairment loss recognised in respect of available-for-sale investment		**(59)**	–
Impairment loss recognised in respect of goodwill		**–**	(988)
Discount on acquisition of additional interests in a subsidiary		**–**	1
Profit from operations		**82,497**	66,861
Finance costs	*5*	**(474)**	–
Share of results of associates		**3,323**	2,489
Gain (loss) arising from changes in fair value of redeemable convertible preferred shares		**46,102**	(110,558)
Redeemable convertible preferred shares issue expenses		**–**	(10,764)
Profit (loss) before taxation		**131,448**	(51,972)
Taxation	*6*	**(8,908)**	(11,881)
Profit (loss) for the year	*7*	**122,540**	(63,853)
Attributable to:			
Equity holders of the Company		**115,445**	(66,593)
Minority interests		**7,095**	2,740
		122,540	(63,853)
Dividend	*8*	**797**	18,309
Earnings (loss) per share	*9*		
Basic		**RMB0.1344**	RMB(0.0891)
Diluted		**RMB0.0492**	N/A

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2007

	Notes	2007 RMB'000	2006 RMB'000
Non-current assets			
Property, plant and equipment		**68,723**	42,326
Intangible assets		**76,155**	48,894
Goodwill	10	**445,005**	140,157
Interests in associates		**11,591**	8,452
Available-for-sale investment		**109**	–
Trademark use right		**1,276**	1,550
Payment for acquisition of software		**–**	3,654
Deferred tax assets		**1,806**	–
		604,665	245,033
Current assets			
Inventories		**51,713**	32,437
Trade and other receivables	11	**432,553**	246,346
Trademark use right		**177**	189
Amounts due from customers for contract work		**36,701**	1,670
Held-for-trading investment		**–**	501
Amounts due from related companies		**1,524**	–
Pledged deposits		**4,504**	1,474
Bank balances and cash		**230,435**	133,571
		757,607	416,188
Current liabilities			
Amount due to customers for contract work		**10,428**	–
Trade and other payables	12	**286,530**	107,865
Bills payable		**35,132**	24,252
Amounts due to related companies		**14,031**	501
Dividend payable to shareholders		**238**	74
Taxation payable		**4,528**	4,715
Borrowings		**10,000**	–
Deferred consideration		**–**	15,600
Consideration payable on acquisition of technical expertise		**731**	780
Consideration payable on acquisition of subsidiaries		**2,923**	2,711
		364,541	156,498
Net current assets		**393,066**	259,690
Total assets less current liabilities		**997,731**	504,723
Non-current liabilities			
Deferred tax liabilities		**7,170**	2,588
Borrowings		**16,814**	–
Redeemable convertible preferred shares		**199,059**	268,480
		223,043	271,068
		774,688	233,655
Capital and reserves			
Share capital		**51,398**	40,184
Share premium		**505,483**	128,899
Reserves		**178,788**	43,752
Equity attributable to equity holders of the Company		**735,669**	212,835
Minority interests		**39,019**	20,820
Total equity		**774,688**	233,655

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

	Attributable to the equity holders of the Company												
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Issuable shares** *RMB'000*	**Translation reserve** *RMB'000*	**Share options reserve** *RMB'000*	**General reserve fund** *RMB'000*	**Statutory enterprise expansion fund** *RMB'000*	**Statutory surplus reserve fund** *RMB'000*	**Statutory public welfare fund** *RMB'000*	**Accumulated profits** *RMB'000*	**Total** *RMB'000*	**Minority interests** *RMB'000*	**Total** *RMB'000*
At 1 January 2006	38,816	120,672	24,420	(2,047)	7,098	1,573	728	63	32	103,648	295,003	14,032	309,035
Exchange differences arising from translation of foreign operations and net loss recognised directly in equity	–	–	–	(4,895)	–	–	–	–	–	–	(4,895)	–	(4,895)
(Loss) profit for the year	–	–	–	–	–	–	–	–	–	(66,593)	(66,593)	2,740	(63,853)
Total recognised (expense) income for the year	–	–	–	(4,895)	–	–	–	–	–	(66,593)	(71,488)	2,740	(68,748)
New issue of shares	1,368	26,536	(24,420)	–	–	–	–	–	–	–	3,484	–	3,484
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	2,215	2,215
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(12,867)	(12,867)
Capital contribution from a minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	14,700	14,700
Recognition of equity-settled share-based payments	–	–	–	–	4,145	–	–	–	–	–	4,145	–	4,145
Appropriations	–	–	–	–	–	8,141	8,140	246	–	(16,527)	–	–	–
Transfer	–	–	–	–	–	–	–	32	(32)	–	–	–	–
Dividend recognised as distribution	–	(18,309)	–	–	–	–	–	–	–	–	(18,309)	–	(18,309)
At 31 December 2006	40,184	128,899	–	(6,942)	11,243	9,714	8,868	341	–	20,528	212,835	20,820	233,655
Exchange differences arising from translation of foreign operations and net gain recognised directly in equity	–	–	–	5,718	–	–	–	–	–	–	5,718	–	5,718
Profit for the year	–	–	–	–	–	–	–	–	–	115,445	115,445	7,095	122,540
Total recognised income for the year	–	–	–	5,718	–	–	–	–	–	115,445	121,163	7,095	128,258
New issue of shares	10,237	364,674	–	–	–	–	–	–	–	–	374,911	–	374,911
Expenses on issue of shares	–	(807)	–	–	–	–	–	–	–	–	(807)	–	(807)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	11,104	11,104
Recognition of equity-settled share-based payments	–	–	–	–	15,779	–	–	–	–	–	15,779	–	15,779
New issue of shares upon exercise of share options	977	13,514	–	–	(1,906)	–	–	–	–	–	12,585	–	12,585
Appropriations	–	–	–	–	–	6,079	–	164	–	(6,243)	–	–	–
Dividend recognised as distribution	–	(797)	–	–	–	–	–	–	–	–	(797)	–	(797)
At 31 December 2007	51,398	505,483	–	(1,224)	25,116	15,793	8,868	505	–	129,730	735,669	39,019	774,688

1. GENERAL INFORMATION OF THE COMPANY

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 16 February 2000 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The shares of the Company are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 20 June 2003.

The addresses of the registered office and principal places of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The consolidated financial statements are presented in Renminbi dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of the Group are development and provision of solutions and information technology ("IT") system, provision of IT consulting, training, outsourcing services and sale of standalone software and hardware products.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-INT 8	Scope of HKFRS 2
HK(IFRIC)-INT 9	Reassessment of embedded derivatives
HK(IFRIC)-INT 10	Interim financial reporting and impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required. The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information based on the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the new and revised standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

4. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold and services rendered during the year.

Business segments

For management purposes, the Group is currently organised into four operating divisions-solutions, IT outsourcing, IT consulting and training services, and sale of standalone software and hardware products. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented as follows:

INCOME STATEMENT FOR BUSINESS SEGMENTS
For the year ended 31 December 2007

	Solutions	IT outsourcing	IT consulting and training services	Sale of standalone software and hardware products	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	515,947	236,420	19,691	39,494	811,552
Segment result	45,717	13,186	1,155	35,801	95,859
Unallocated other income, gains and losses					11,714
Unallocated corporate expenses					(25,076)
Finance costs					(474)
Share of results of associates					3,323
Gain arising from changes in fair value of redeemable convertible preferred shares					46,102
Profit before taxation					131,448
Taxation					(8,908)
Profit for the year					122,540

BALANCE SHEET FOR BUSINESS SEGMENTS

As at 31 December 2007

	IT solutions	IT outsourcing	IT consulting and training services	Sale of standalone software and hardware products	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Segment assets	673,992	440,472	1,874	246	1,116,584
Interests in associates	11,591	–	–	–	11,591
Unallocated corporate assets					234,097
Consolidated total assets					1,362,272
LIABILITIES					
Segment liabilities	282,514	47,952	3,081	9,582	343,129
Unallocated corporate liabilities					244,455
Consolidated total liabilities					587,584

OTHER INFORMATION FOR BUSINESS SEGMENTS

For the year ended 31 December 2007

	IT solutions	IT outsourcing	IT consulting and training services	Sale of standalone software and hardware product	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Capital additions	45,581	30,820	6,086	–	82,487
Depreciation of property, plant and equipment	6,441	5,022	598	55	12,116
Amortisation of intangible assets	6,956	7,248	310	–	14,514
Impairment of intangible assets	–	1,735	–	–	1,735
Loss on disposal of property, plant and equipment	6	503	–	–	509

INCOME STATEMENT FOR BUSINESS SEGMENTS

For the year ended 31 December 2006

	Solutions	IT outsourcing	IT consulting and training services	Sale of standalone software and hardware products	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	193,513	127,821	12,184	21,718	355,236
Segment result	49,537	22,892	4,068	3,084	79,581
Unallocated other income, gains and losses					9,147
Unallocated corporate expenses					(21,868)
Discount on acquisition of additional interests in a subsidiary					1
Share of net results of associates					2,489
Loss arising from changes in fair value of redeemable convertible preferred shares					(110,558)
Redeemable convertible preferred shares issue expenses					(10,764)
Loss before taxation					(51,972)
Taxation					(11,881)
Loss for the year					(63,853)

BALANCE SHEET FOR BUSINESS SEGMENTS

As at 31 December 2006

	IT solutions	IT outsourcing	IT consulting and training services	Sale of standalone software and hardware products	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Segment assets	330,921	176,326	1,406	4,751	513,404
Interests in associates	8,452	–	–	–	8,452
Unallocated corporate assets					139,365
Consolidated total assets					661,221
LIABILITIES					
Segment liabilities	101,496	20,183	1,345	19,657	142,681
Unallocated corporate liabilities					284,885
Consolidated total liabilities					427,566

OTHER INFORMATION FOR BUSINESS SEGMENTS

For the year ended 31 December 2006

	IT solutions	IT outsourcing	IT consulting and training services	Sale of standalone software and hardware product	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Capital additions	23,594	42,231	–	23	65,848
Depreciation of property, plant and equipment	3,619	2,497	322	58	6,496
Amortisation of intangible assets	5,142	3,193	29	–	8,364
Impairment of intangible assets	–	1,087	–	–	1,087
Gain on disposal of property, plant and equipment	(2)	–	–	–	(2)

Geographical segments

No geographical segment information of the Group is shown as the operating businesses of the Group are substantially carried out in the PRC and the Group's assets and liabilities are substantially located in the PRC.

5. FINANCE COSTS

	2007	2006
	RMB'000	*RMB'000*
Interest on borrowings wholly repayable within five years:		
Bank loan	**158**	–
Imputed interest expense on non-current interest-free shareholder's loan of the Company	**316**	–
	474	–

6. TAXATION

	THE GROUP	
	2007	2006
	RMB'000	*RMB'000*
The charge comprises:		
Hong Kong Profits Tax	**(7)**	19
PRC Enterprise Income Tax	**11,267**	11,098
Overprovision in pair years	**(2,960)**	–
	8,307	11,098
The US Federal and State Income taxes	**6**	–
	8,306	11,117
Deferred tax	**602**	764
	8,908	11,881

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year.

The statutory rate of PRC Enterprise Income Tax is 33%.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Certain group companies are subject to certain tax exemption arrangements as set out below.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% from 1 January 2008.

Pursuant to an approval document issued by the State Bureau of Beijing Haidian District dated 21 November 2000, Chinasoft Beijing, a subsidiary of the Company, had been designated as an advanced technology enterprise and its income tax rate was reduced from 33% to 15%. Moreover, Chinasoft Beijing was entitled to the three year's exemption from income tax followed by three years of 50% tax reduction commencing from the first profit-making year with effect from 2000. As a result, Chinasoft Beijing is subject to the income tax computed at the rate of 7.5% for the three years ended 31 December 2005 and at the rate of 15% on its taxable profit thereafter.

Pursuant to an approval document issued by the Guangzhou Science and Technology Bureau dated 31 March 2004, Chinasoft Guangzhou, a subsidiary of the Company, had been designated as an advanced technology enterprise and its income tax rate was reduced from 33% to 15%. Moreover, pursuant to another approval document issued by the Guangzhou National Tax Bureau dated 2 June 2004, Chinasoft Guangzhou was entitled to the two year's exemption from income tax followed by three years of 50% tax reduction commencing from the first profit-making year with effect from 2003.

Pursuant to an approval document issued by the State Bureau of Kunming City, Yunnan Province dated 15 June 2007, Chinasoft Kunming, a subsidiary of the Company, had been designated as a technology development enterprise. As a result, Chinasoft Kunming was entitled to the two year's exemption from income tax followed by three years of 50% tax reduction commencing from the first profit-making year with effect from 2006.

Pursuant to an approval document issued by the Hunan Science and Technology Bureau dated 13 June 2006, Chinasoft Hunan, a subsidiary of the Company, had been designated as an advanced technology enterprise and its income tax rate was reduced from 33% to 15%. Moreover, Chinasoft Hunan was entitled to the two year's exemption from income tax followed by three years of 50% tax reduction commencing from the first profit-making year with effect from 2006.

Pursuant to an approval document issued by the State Bureau of Tianjin Economic and Technology Development Zone dated 20 February 2003, Cyber Resources, a subsidiary of the Company, was established before the end of the year 1995 and was approved as an production enterprise and its income tax rate was reduced from 33% to 15%.

Pursuant to an approval document issued by the Beijing Science and Technology Commission dated 25 June 2004, Chinasoft Resources Beijing, a subsidiary of the Company, had been designated as an advanced technology enterprise and its income tax rate was reduced from 33% to 15%. Moreover, Chinasoft Resources Beijing was entitled to the three year's exemption from income tax followed by three years of 50% tax reduction commencing from the first profit-making year with effect from 2004.

Pursuant to an approval document issued by the State Bureau of Shenzhen Nanshan District dated 1 March 2005, Chinasoft Resources Shenzhen, a subsidiary of the Company, had been designated as a newly established software enterprise. As a result, Chinasoft Resources Shenzhen was entitled to the two year's exemption from income tax followed by three years of 50% tax reduction commencing from the first profit-making year with effect from 2004.

Pursuant to an approval document issued by the Shanghai City District Bureau dated 27 February 2007, Chinasoft Resources Shanghai, a subsidiary of the Company, was entitled to the two year's exemption from income tax followed by three years of 50% tax reduction with effect from 2006.

With effect from 1 January 2008, if the subsidiaries are qualified as advanced technology enterprise under the New Law, the subsidiaries will be entitled to a preferential rate of 15%.

The tax charge for the year can be reconciled to profit (loss) before taxation as follows:

	2007	2006
	RMB'000	*RMB'000*
Profit (loss) before taxation	**131,448**	(51,972)
Tax at PRC Enterprise Income Tax rate of 33%	**43,378**	(17,151)
Tax effect of share of results of associates	**(1,097)**	(821)
Tax effect attributable to tax exemptions and concessions granted to PRC subsidiaries	**(31,616)**	(19,609)
Tax effect of expenses not deductible for tax purpose	**23,785**	49,268
Tax effect of income not taxable for tax purpose	**(25,129)**	(947)
Overprovision in prior years	**(2,960)**	–
Tax effect of utilisation of tax losses previously not recognised	**(430)**	(612)
Tax effect of tax losses not recognised	**3,009**	1,240
Effect of different tax rate of subsidiaries	**(32)**	513
Tax charge for the year	**8,908**	11,881

7. PROFIT (LOSS) FOR THE YEAR

	2007	2006
	RMB'000	*RMB'000*
Profit (loss) for the year has been arrived at after charging:		
Directors' remuneration	**6,480**	3,636
Other staff costs	**257,235**	89,956
Retirement benefit costs	**15,467**	6,856
Share option expenses	**12,145**	2,907
Total staff costs	**291,327**	103,355
Less: Staff costs capitalised as development costs	**(9,449)**	(9,053)
	281,878	94,302
Share option expenses		
– granted to employees of an associate	**–**	31
– granted to customers	**57**	224
	57	255
Allowance for inventories	**1,735**	138
Research and development costs expensed	**5,070**	4,153
Less: Government grants	**(915)**	–
	4,155	4,153
Auditor's remuneration	**5,187**	2,288
Cost of inventories recognised as an expense	**242,521**	55,880
Depreciation of property, plant and equipment	**12,116**	6,496
Loss on disposal of property, plant and equipment	**509**	–
Minimum lease payments in respect of land and buildings	**31,830**	8,997
and after crediting:		
Dividend income from held-for-trading investment	**5**	–
Gain on fair value change on held-for-trading investment	**29**	150
Interest income from bank balances and cash	**1,338**	3,676
Government grants	**3,198**	4,422
Gain on disposal of property, plant and equipment	**–**	2
Net foreign exchange gain	**1,059**	410
Tax incentive subsidies	**3,428**	394

8. DIVIDEND

	2007	2006
	RMB'000	*RMB'000*
Dividend recognised as distribution during the year:		
Final paid in respect of prior year-HK0.1 cents per share (2006: HK2.5 cents), equivalent to RMB0.1 cents per share (2006: RMB2.6 cents)	**797**	18,309

A final dividend of HK$0.005 (equivalent to RMB0.005) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

9. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the ordinary equity holders of the Company is based on the following data:

	2007	2006
	RMB'000	*RMB'000*
Earnings (loss) for the purposes of calculating basic earnings (loss) per share	**115,445**	(66,593)
Effect of dilutive potential ordinary shares:		
Gain arising from changes in fair value of redeemable convertible preferred shares	**(61,135)**	
Earnings for the purposes of calculating diluted earnings per share	**54,310**	

	Number of shares	
	2007	2006
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	**858,956,125**	747,120,005
Effect of dilutive potential ordinary shares:		
Issuable under the Company's share option scheme	**49,368,226**	
Conversion of the redeemable convertible preferred shares	**194,500,000**	
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,102,824,351**	

The diluted loss per share for the year ended 31 December 2006 was not presented as the exercise of the share options and conversion of the redeemable convertible preferred shares outstanding would result in a decrease in loss per share.

10. GOODWILL

	RMB'000
COST	
At 1 January 2006	79,168
Arising on acquisition of subsidiaries	32,951
Arising on acquisition of additional interests in a subsidiary	29,026
At 31 December 2006	141,145
Arising on acquisition of subsidiaries	304,848
At 31 December 2007	445,993
IMPAIRMENT	
At 1 January 2006	–
Impairment loss recognised for the year	(988)
At 31 December 2006 and 2007	(988)
CARRYING VALUES	
At 31 December 2007	445,005
At 31 December 2006	140,157

Impairment testing on goodwill

As explained in note 4, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, the carrying amount of goodwill (net of impairment loss) as at 31 December 2007 and 2006 has been allocated as follows:

	2007	2006
	RMB'000	*RMB'000*
Solutions		
– HGR and its subsidiaries *(note 1)*	**134,188**	–
IT outsourcing		
– Cyber Resources	**31,963**	31,963
– Chinasoft Resources Beijing	**80,968**	80,968
– HGR and its subsidiaries *(note 1)*	**170,660**	–
	283,591	112,931
IT consulting and training services	**830**	830
Chinasoft Beijing *(note 2)*	**26,396**	26,396
	445,005	140,157

Notes:

(1) The total carrying amount of goodwill of RMB304,848,000 was resulted from the acquisition of HGR and its subsidiaries in the current year. The goodwill contributes to the cash flows of both the solutions and IT outsourcing business segments.

(2) The carrying amount of goodwill of RMB26,396,000 was resulted from the acquisition of additional interest of Chinasoft Beijing in 2004. The goodwill contributes to the cash flows of multiple business segments which cannot be allocated on a non-arbitrary basis to individual business segments.

During the year ended 31 December 2006, the Group recognised an impairment loss of RMB988,000 in relation to goodwill arising on acquisition of Chinasoft Resource (International) Limited. Chinasoft Resource (International) Limited is engaged in the business of provision of IT outsourcing services. As the management of the Group would take up the net liabilities of RMB988,000 incurred by the sole former shareholder on the date of acquisition of Chinasoft Resource (International) Limited, full impairment on the carrying amount of goodwill was made. Save as the aforesaid, management of the Group determines that there are no impairments of any of its CGUs containing goodwill.

The basis of the recoverable amounts of the above CGUs and the methodology used for the year are summarised below:

IT outsourcing (other than HGR and its subsidiaries)

The recoverable amount of this CGU is fair value less costs to sell and has been determined based on the valuation at 31 December 2007 and 2006 prepared by independent professional valuers. The valuation is based on the management's 2007 financial information and a weighted average of market value of invested capital over earnings before taxation of 26 (2006: 14) and that over earnings of 29 (2006: 17) based on comparable companies in the relevant industry.

IT consulting and training services

The recoverable amount of this CGU is fair value less costs to sell and has been determined based on the valuation at 31 December 2007 and 2006 prepared by independent professional valuers. The valuation is based on the management's 2007 financial information and a weighted average of market value of invested capital over earnings before taxation of 26 (2006: 14) and that over earnings of 29 (2006: 17) based on comparable companies in the relevant industry.

Chinasoft International Information Technology Limited

The recoverable amount of this CGU is fair value less costs to sell and has been determined based on the valuation at 31 December 2007 and 2006 prepared by independent professional valuers. The valuation is based on the management's 2007 financial information and a weighted average of market value of invested capital over earnings before taxation of 26 (2006: 14) and that over earnings of 29 (2006: 17) based on comparable companies in the relevant industry.

Hinge Global Resources Inc. and its subsidiaries

The recoverable amount of Hinge Global Resources Inc. and its subsidiaries (the "HGR Group"), representing that for the CGUs of solution and ITs outsourcing business segments, have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and discount rate of 17.6%. The cash flows of HGR Group beyond the five-year period are extrapolated using a steady 3% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Since the HGR Group specialises in the solutions and IT outsourcing businesses, management of the Group believes that the projected growth rates are reasonable. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the HRG Group past performance of the HRG Group and management's expectations for the market development.

11. TRADE AND OTHER RECEIVABLES

	2007	2006
	RMB'000	*RMB'000*
Trade receivables	**373,490**	224,037
Less: Allowance for doubtful debts	**(17,984)**	(15,764)
	355,506	208,273
Trade receivable from an associate	**491**	1,091
Trade receivables from related companies	**26,924**	11,292
	382,921	220,656
Advances to suppliers	**8,187**	6,929
Deposits, prepayments and other receivables	**41,445**	18,761
	432,553	246,346

The credit terms of the Group range from 30 to 90 days. An aged analysis of trade receivables (net of allowance for doubtful debts) is as follows:

	2007	2006
	RMB'000	*RMB'000*
Within 90 days	**152,256**	125,627
Between 91-180 days	**87,884**	27,796
Between 181-365 days	**96,747**	33,966
Between 1-2 years	**40,669**	27,362
Over 2 years	**5,365**	5,905
	382,921	220,656

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed each time when sales are made. 25% (2006: 40%) of the trade receivables that are neither past due nor impaired have the best credit quality assessed by the Group.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB245,519,000 (2006: RMB131,453,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 259 days (2006: 188 days).

12. TRADE AND OTHER PAYABLES

	2007	2006
	RMB'000	*RMB'000*
Trade payables	**151,649**	64,579
Trade payable to a related company	–	195
Deposits received from customers	**38,315**	2,593
Other payables and accrued charges	**96,566**	40,498
	286,530	107,865

An aged analysis of trade payables is as follows:

	2007	2006
	RMB'000	*RMB'000*
Within 90 days	**67,079**	17,910
Between 91-180 days	**23,508**	7,193
Between 181-365 days	**30,131**	14,443
Between 1-2 years	**23,147**	13,453
Over 2 years	**7,784**	11,775
	151,649	64,774

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

13. REDEEMABLE CONVERTIBLE PREFERRED SHARES

	Number of shares	**Nominal amount**
		HK$'000
Redeemable convertible preferred shares (the "Series A Preferred Shares") of HK$0.05 each:		
Authorised		
Balance at 1 January 2006, 31 December 2006 and 2007	625,000,000	31,250
Issued and fully paid		
Issued during the year and balance at 31 December 2006 and 2007	194,500,000	9,725

On 6 January 2006, the Company announced the completion of the first subscription of a total of 194,500,000 Series A Preferred Shares of the Company by Microsoft Corporation ("Microsoft") and International Finance Corporation ("IFC"). Under the first subscription arrangement, 97,250,000 Series A Preferred Shares with a par value of HK$0.05 each were allotted and issued at a price of HK$0.8 each to each of Microsoft and IFC, raising a total of approximately RMB162,240,000 (equivalent to US$19,999,990) for the Company. Details of the issue of Series A Preferred Shares and first subscription were set out in a circular dated 2 December 2005 issued by the Company.

The Series A Preferred Shares are denominated in Hong Kong dollars. Holders of the Series A Preferred Shares shall be entitled to a fixed cumulative dividend of 5.5% per annum of the principal amount of the Series A Preferred Shares to be first payable on a quarterly basis following the expiry of a six-month period after 6 January 2006. They entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue and up to the maturity date on the sixth anniversary of 6 January 2006 and without payment of any additional consideration, at the initial conversion rate of 1:1, subject to adjustment in respect of anti-dilution protections from time to time as provided in the Re-stated Memorandum and Articles of the Company.

If the Company fails to complete the baseline amount of US$2,000,000 (equivalent to RMB15,560,000) as set forth in the commercial agreement dated 26 September 2005 entered into between Microsoft and the Company prior to the first anniversary of 6 January 2006, upon receipt of a written notice by Microsoft, the Company shall redeem in cash such number of the Series A Preferred Shares then held by Microsoft plus the accrued and unpaid dividends thereon at any time with an aggregate amount of up to US$5,000,000 (equivalent to RMB38,900,000). If all the Series A Preferred Shares then held by Microsoft are redeemed by the Company, IFC shall have a right, to require the Company, to redeem the Series A Preferred Shares held by it in an aggregate amount of not more than US$5,000,000 (equivalent to RMB38,900,000). All accrued and unpaid dividends payable on the Series A Preferred Shares held by IFC shall also be payable by the Company at that time.

If the Series A Preferred Shares have not been converted or redeemed, they will be mandatorily redeemed by the Company on the sixth anniversary of 6 January 2006.

All the detailed terms and conditions, including the above, are set out, inter alia, in the circular dated 2 December 2005 issued by the Company.

The Group incurred expenses of RMB10,764,000 for the issuance of the Series A Preferred Shares. Such expenses have been recognised in the consolidated income statement for the year ended 31 December 2006.

The Series A Preferred Shares contain the financial liability and embedded derivatives and the entire instrument is designated as financial liability at FVTPL on initial recognition.

At 31 December 2007 and 2006, the fair value of the financial liability of the Series A Preferred Shares was estimated by using market interest rates of 11.59% and 9.79% respectively. The fair value of the embedded derivatives is calculated using the binomial option pricing model. The inputs into the model were as follows:

	2007	2006
Share price	**HK$1.40**	HK$1.73
Exercise price	**HK$0.8**	HK$0.8
Time to maturity	**4 years**	5 years
Risk free rate	**2.94%**	3.69%
Share price volatility	**41.99%**	52.09%

Share price volatility was estimated by the average annualised standard deviations of the continuously compounded rates of return on the Company's share prices.

The movement of the fair value of the Series A Preferred Shares for the year is set out as below:

	RMB'000
Carrying amount at 6 January 2006	161,824
Loss arising on changes in fair value	110,558
As at 31 December 2006	272,382
Exchange adjustment	(15,033)
Gain arising on changes in fair value	(46,102)
Interest paid	(10,162)
As at 31 December 2007	201,085

Included in the gain/loss arising on changes of fair value is an interest expense of RMB8,286,000 (2006: RMB3,902,000) determined using the effective interest method. As at 31 December 2007, interest payable to preferred shareholders of RMB2,026,000 (2006: RMB3,902,000) was included in trade and other payables in the consolidated balance sheet.

MANAGEMENT DISCUSSION AND ANALYSES

FINANCIAL REVIEW

INCOME STATEMENT

For the year ended December 31	**2007 RMB'000**	2006 RMB'000	Better/ (Worse) y-o-y
Turnover	**811,552**	355,236	128%
Cost of sales	**(545,157)**	(186,338)	193%
Gross profit	**266,395**	168,898	58%
Gross margin	**32.8%**	47.5%	(15%)
Other operating income	**11,714**	9,147	28%
Selling & distribution costs	**(45,456)**	(20,631)	120%
Administrative expenses (excluding depreciation and amortization)	**(118,912)**	(71,586)	66%
Allowance for doubtful debts	**(2,820)**	(2,033)	39%
EBITDA	**110,921**	83,795	33%
EBITDA margin	**13.67%**	23.6%	(9.4%)
Depreciation	**(12,116)**	(6,496)	87%
EBITA	**98,805**	77,299	28%
Amortization of intangible assets & trademark use right	**(14,514)**	(8,364)	74%
Impairment loss recognized in respect of technical expertise	**(1,735)**	(1,087)	60%
Impairment loss recognized in respect of available-for-sale investment	**(59)**	–	N/A
Impairment loss recognized in respect of goodwill	–	(988)	N/A
Discount on acquisition of additional interests in a subsidiary	–	1	N/A
Profit from operations	**82,497**	66,861	23%
Finance costs	**(474)**	–	N/A
Share of results of associates	**3,323**	2,489	34%
Gain (loss) arising from changes in fair value of redeemable convertible preferred shares	**46,102**	(110,558)	N/A
Redeemable convertible preferred shares issue expenses	–	(10,764)	N/A
Profit (loss) before taxation	**131,448**	(51,972)	N/A
Taxation	**(8,908)**	(11,881)	25%
Profit (loss) for the year	**122,540**	(63,853)	N/A
Net margin	**15.09%**	–	

The management is pleased to represent our audited consolidated income statement for the year ended December 31, 2007 again in the above format.

For the year ended 31 December 2007, the Company reported an audited turnover of approximately RMB811,552,000 (2006: RMB355,236,000), representing an increase of approximately 128% as compared with last year. A detailed analysis is on the section “Business Result” of next page.

For the year ended 31 December 2007, the Company accomplished an audited gross profit of approximately RMB266,395,000 (2006: RMB168,898,000), representing an increase of approximately 58% as compared with last year. The gross profit margin for the year ended 31 December 2007 was 32.8% (2006: 47.5%).

The selling and distribution cost was approximately RMB45,456,000 (2006: RMB20,631,000), representing an increase of approximately 120% as compared with last year which is in line with an increase of 128% in turnover. The ratio of selling and distribution cost to turnover was 5.6% (2006: approximately 5.8%) representing a decrease of 0.2%.

The administrative expenses (excluding depreciation of approximately RMB12,116,000) for the year ended 31 December 2007 was approximately RMB118,912,000 (2006:RMB71,586,000), representing an increase of approximately 68%. The ratio of administrative expenses (net) to turnover is 14.8% (2006: approximately 20.15%) representing a decrease of 5.35%.

The allowance for doubtful debts was approximately RMB2,820,000 (2006:RMB2,033,000), representing an increase of 39% which was much smaller than the 128% increase in turnover.

The EBITDA for the year ended 31 December 2007 was approximately RMB110,921,000 (2006: RMB83,795,000), representing an increase of 33%; depreciation was approximately RMB12,116,000 (2006: RMB6,496,000), representing an increase of 87% compared to last year.

The EBITA for the year ended 31 December 2007 was approximately RMB98,805,000 (2006: RMB77,299,000), representing an increase of 28% as compared to last year.

After the deduction of amortization of intangible assets and trademark use right of approximately RMB14,514,000 (2006: RMB8,364,000), impairment loss recognized in respect of technical expertise of approximately RMB1,735,000 (2006: 1,087,000), impairment loss recognized in respect of available-for-sale investment of approximately RMB59,000 (2006:nil) from our EBITA as analyzed above, our current year profit from operations was approximately RMB82,497,000 (2006:RMB66,861,000), representing an increase of 23% from last year. Most of the expenses incurred were mainly related to the financial impact of HKFRS such as amortization of intangible assets and impairment loss recognised in respect of technical expertise.

With the deduction of finance costs of RMB474,000 (2006: nil), contribution from the share of results of associates of approximately RMB3,323,000 (2006:RMB2,489,000) and pick up of the gain arising from changes in fair value of redeemable convertible preferred shares of approximately RMB46,102,000 (2006: RMB121,322,000 loss which comprise of RMB110,558,000 as the loss arising from change in fair value of redeemable convertible preferred shares and RMB10,764,000 as the redeemable convertible preferred share issue expenses), we eventually arrive to our profit before taxation of approximately RMB131,448,000 (2006:RMB51,972,000 loss) and profit after taxation of approximately RMB122,540,000 (2006:RMB63,853,000 loss).

For comparable purpose, to be consistent with prior year basis, we can use profit for the year of approximately RMB122,540,000 (2006:RMB63,853,000 loss) minus the impact of having a gain arising the redeemable convertible preferred shares of approximately 46,102,000 (2006: RMB121,322,000 loss), then the adjusted net profit should be approximately RMB76,438,000 (2006: 57,469,000 gain), representing an increase of 33% as compared to last year.

Basic EPS was RMB0.1344 (2006:RMB0.0891 loss).
Net asset per share was approximately RMB0.90.

As at year ended 31 December 2007, total equity of the Group amounted to approximately RMB774,688,000. Current assets amounted to approximately RMB757,607,000, of which approximately RMB234,939,000 were cash and bank deposits, which includes pledge bank deposits of approximately RMB4,504,000. The current liabilities amounted to approximately RMB364,541,000, includes mainly its trade and other payables of RMB286,530,000 approximately. The net asset value per share was RMB0.90.

The Group recorded an increase of 66.7% in trade receivables in 2007 as compared to 2006 which was outperform with the substantial increase of 128% in turnover in 2007. As for the credit management, the Group has stringent a credit policy to minimize its credit exposure including credit control, negotiations and discussion with customers, issue of reminders and letters threatening legal action. In view of our credit management and sufficient allowance being provided for doubtful debt, the Group believe that trade receivables will soon be recovered.

As at 31 December 2007, except a bank deposit pledged with a bank of approximately RMB4,504,000 for trade facilities granted to the Group by the suppliers, the Group did not have any material investment in assets and assets pledged.

As at 31 December 2007, the Group did not have any material contingent liabilities.

No subsequent events occurred after 31 December 2007, which may have a significant effect, on the assets and liabilities or future operations of the Group.

Turnover Analysis

Breakdown of turnover of the Group for the year ended 31 December 2007 by category of services and products:

	2007		2006	
	Turnover		**Turnover**	
	RMB'000	*%*	*RMB'000*	*%*
Solutions	515,947	64%	193,513	55%
IT outsourcing	236,420	29%	127,821	36%
IT consulting and training services	19,691	2%	12,184	3%
Standalone software and hardware products	39,494	5%	21,718	6%
Total	811,552	100%	355,236	100%

Note: It can be seen that the share of solutions services in 2007 turnover increased compared to 2006, while the share of turnover from IT outsourcing decreased, the main reason is: in 2007 clients of e-Government and banking and financial services industry in China appointed the Group to subcontract several large scale integrated projects in the capacity as main service provider, many of them carried high turnover from sale of software and hardware.

Business Results

For the year ended 31 December 2007, the Group achieved a turnover of approximately RMB811,552,000, representing an increase of 128% compared to the same period last year. The reasons for the rather large increase were attributable to, on one hand, our large increase in revenue from services (an increase of 80% compared to the same period last year); and on the other hand, the large increase in turnover from software and hardware sales (an increase of RMB260 million compared to the same period last year). Among this, the increase in turnover from software and hardware sales was mainly because clients of e-Government and banking and financial services industry in China appointed the Group to subcontract several large scale integrated projects in the capacity as main service provider. This was a phenomenon of our full and in-depth cooperation relationship in IT services with clients of these industries, and did not affect our pre-determined business model and strategic development direction of concentrating on IT services.

For the year ended 31 December 2007, the gross profit and EBITDA amounted to approximately RMB266,395,000 and approximately RMB110,921,000 respectively, representing increases of 58% and 33% compared to the same period in the previous year, in which the 58% increase in gross profit over the previous year was different to the 80% increase in the income from service business over the previous year, mainly due to the relative increases in development in new businesses and the implementation of nation-wide IT businesses among the 2007 operating income, leading to an relative increase in corresponding service costs (including the service costs of the Group itself and subcontracting costs), representing an increase of approximately 107% compared to the same period in the previous year. The

33% increase in EBITDA over the same period in previous year was different to the 58% increase in gross profit over the same period in the previous year, mainly due to an increase of 80% in the sum of distribution cost and administrative cost (excluding depreciation and amortization) (consistent with the increase in the income from services) of the Group over the same period of the previous year, which was higher than the 58% increase in gross profit.

For the year ended 31 December 2007, our gross profit margin and operating profit margin were approximately 32.8% and 10.5% respectively (2006: approximately 47.5% and 18.8% respectively), representing decreases of 14.7% and 8.3% compared to the same period last year. The reasons for the decreases of gross profit margin and operating profit margin were, as mentioned above, on one hand, the large increase in revenue from software and hardware sales with lower gross profit margin, and on the other hand, the increases in costs due to expansion of new industries and nationwide implementation services, resulting in a decrease in our overall gross profit margin. While the simultaneous growth of our selling costs and administrative expenses together with the business scale of revenue from services also led to a fall in the operating profit margin to a certain extent. Such fall in profit margin was temporary only during our rapid expansion of business scale and the merger and acquisition and integration process, and did not affect our business development model. With the strengthening of our business management and the effects of synergy from merger and acquisition and integration, the profit margin will improve gradually.

With respect to professional personnel, we employed a total of 4,363 staff, representing a large increase of 1,981 from 2,382 of the end of last year. 52% of the growth in headcount was due to the increase in outsourcing personnel, 47% was due to the increase in solutions business personnel.

Regarding the business itself, turnover from solutions business and IT outsourcing, two of our main businesses accounted for 64% and 29% of the overall turnover respectively (2006: approximately 55% and 36%), of which revenue from services for solutions business and IT sourcing accounted for 52% and 44% of the overall revenue from services (2006: approximately 53% and 43%).

The ratio of distribution costs to turnover was 5.6%, representing a decrease of 0.2% from 5.8% of last year; the ratio of administrative expenses to turnover was 16.3%, representing a decrease of 5.7% from 22% of the same period last year. In view of the large increase in turnover of software and hardware sales in the share of 2007 revenue, the fall in these ratios could not directly reflect our business development. As mentioned above, the sum of distribution costs and administrative expenses of the Group in 2007 increased 80% from last year, which were basically consistent with the percentage growth of 80% of revenue from services, this explained that the increases in these two cost items were reasonable. Moreover, with our further strengthening of management quality of the fast growing IT services as well as further enhancement of integration and interaction, supplementing competitive advantage, resources sharing between the original and newly acquired business teams, the Group still has room for improvement in the areas of distribution costs and administrative expenses.

BUSINESS REVIEW

During the reporting period, the Group's overall business revenue amounted to RMB811,552,000, of which revenue of services business amounted to RMB558,710,000, representing an increase of 128% and 80% compared to the same period last year. The Group's EBITDA amounted to RMB110,921,000, representing an increase of 33% compared to the same period last year.

Year 2007 was the fourth year after our listing, and also a key year of furthering our strategies of globalization and becoming a total IT service provider were critical. During the reporting period, the Group has been dedicated to the building of three main platforms "Consolidation of resource in leading verticals", "Interaction of advantage in domestic-oversea market " and "human resources supply chain of IT industry" based on our "Three Models" (Innovative & Interactive & Integrative).

"Industry integration" and "domestic-oversea interaction" supplementing each other, the main business recording comprehensive and balanced growth

During the reporting period, the Group formulated the core of business development strategy of "Innovative", "Interactive" and "Integrative": supported by an IT training business oriented towards human resources supply chain, aiming at becoming the largest industry consultant whose business is to provide solutions, and working on large ITO and BPO businesses in the international market. On one hand, we continued to deepen those sectors where we had competitive advantage and service business with strategic clients, and further expanded domestic industrial clients and overseas market with strategic clients. On the other hand, with the merger and acquisition and integration with the business of HGR (Hinge Global Resource Inc), we achieved the following: firstly, we increased the industry coverage of consultation based solution business – from the original base of government, public utilities and consumer packaged goods industry to financial and banking services industry; secondly we enhanced comprehensive IT services capability of Chinasoft International from BPO to application development and business consultancy; thirdly, we strengthened the front-end office establishment of Chinasoft International in US and Japan, and laid a solid cornerstone for Chinasoft International's overseas business market expansion and IT service delivery as well as furthering the interaction of competitive advantages in domestic and overseas markets.

During the reporting period, the Group's revenue of services business from consultation based solution business with "Competitive advantage industry, IT services integration" as the main model was RMB301,450,000, revenue of services business from IT outsourcing (ITO and BPO) with "domestic-oversea competitive advantage interaction of IT services" as the main model was RMB238,210,000. These two main businesses achieved balanced development with a share of 54%: 43%.

During the reporting period, the Group was awarded an important prize of "China IT Fortune (CEO) Annual Meeting" – "2007 China IT Innovative Enterprise Prize"; the Group's Managing Director, CEO Dr Chen Yu Hong was awarded "2006 Outstanding Leader in Information Industry of China" and Outstanding Person Prize in "2006 China Software Export (Outsourcing) Enterprises", the Group was awarded 9 prizes including Person, Enterprise, Product and Solution in "China IT User 2007 Excellent Enterprise and Product Presentation" event.

Industry solution business
(vertical penetration and expansion with competitive advantage)

During the reporting period, supported by the strategy of "industry integration" and our capability, we further our efforts to become an influential service provider of industry solutions. Using the release of the platform product, ResourceOne V4.0, our proprietary intellectual property as a symbol, setting a milestone with our own innovative module "application general integration" as the core competitive advantages, we penetrated further into traditional industrys where we had competitive advantage, and explored the applications in emerging industries. Also, the three products in our ResourceOne product series: ResourceOne StarFlow workflow midware software, assembly support environment midware software (ResourceOne Framework) and data exchange midware software (ResourceOne DataExchange) were successfully selected for the midware software list of Agreement on government centralized purchase of information products for central government agencies.

The Group's industry solution business covers financial and banking services industry, government and public utilities industry and consumer packaged goods industry. During the reporting period, revenue from the Financial and Banking services industry services industry amounted to RMB52,530,000; revenue from the government and public utilities industry amounted to RMB84,110,000; revenue from the consumer packaged goods industry amounted to RMB164,820,000.

Financial and Banking Services Industry

During the reporting period, we acquired HGR and expanded IT services business to the financial and banking services industry services industry. Its business scope covers the payment domain, settlement domain, exchange domain and the development and application of the card business. With the experience of the past few years and building up of techniques, we possessed competitive advantage in several aspects such as bank card business, peripheral application, internet payment, risk control and inter-bank linkage etc, we provided industry solutions and system assembly services for key clients such as China UnionPay, the head offices and branches of various joint stock commercial banks, various commercial banks at city level, postal banks as well as foreign financial institutions in China.

- Credit card core system and peripheral services, during the reporting period, the Group became the integrated service provider of "The Construction Bank of China credit card collection system" and "The Construction Bank of China credit card anti-fraud system", we successfully set up two credit card peripheral systems of "collection system" and "anti-fraud system" for the Construction Bank of China.

- Credit and audit, since commercial banks in China put personal asset business development as an important strategy to improve profitability and core competitiveness, the Group adapted to changes in market needs. The Group integrated the original software products to develop the personal loan management system, which successfully implemented in reputable commercial banks in China such as Bank of Communications, Pudong Development Bank and Industrial Bank etc in 2007. The online success of these projects led to our successful contract signing with Guangdong Development Bank and Chengdu Commercial Bank.

- Payment voucher collection services, 2008 Olympic Games will bring in massive foreign cardholders who will do business, travel and spend money, this will represent a severe challenge to China's existing payment environment, the demand for local and foreign currency payment voucher integration will increase. We had been carrying out over 10 years of research and development and product promotion in the payment voucher collection domain, and several banks were successfully online. In 2007, we developed and completed the "The Construction Bank of of China local and foreign currency integrated payment voucher collection" project.

- Remittance, during the reporting period, the Group signed the contract on "National Postal and Savings Bank Remittance Macro Centralized System" ("國家郵儲銀行滙兑大集中") project and during this year carried out its maintenance and completed on schedule this nationwide important project, the success of this project implementation were highly praised by clients.

- Financial industry value added services, 2007 saw the implementation of the policy of Legal Person Institution of Foreign Banks, which brought a great opportunity for us to explore the provision of value added services in the financial domain. Localized services by banks with legal person status provided services to about 12 foreign banks: localized services such as Tokyo Mitshibusi Bank, ABN Ambros Bank etc: CNAPS (large and small amount payments), anti-money laundering system, cash management system etc, other value added services included Agriculture Bank of China debit card system, Bank of Communications SOA services, e-commerce services such as internet payment (支付網關), virtual card, portal management (門戶管理) for China UnionPay, China Mobile, Ministry of Commerce and Postal and Savings Bank.

- Quasi-financial payment domain, the Group's business and technique accumulation of payment, exchange and classification and settlement in the financial industry were successfully expanded to non-financial payment domain, and engaged successively in the project set up of the social security cards and transport cards at provincial (city) levels, including "Shanghai Citizen Card (Social Security Card)", "Guangdong remote settlement exchange platform", "Shanghai City Public Multi-Pass Card (一卡通)", "Harbin public transport IC card system" and "Shanghai railroad transport "One ticket all transit" ("一票換乘") funds classification and settlement system" etc.

Government and public utilities industry

During the reporting period, the Group made great achievement in e-Government business in the government and public utilities domain, revenue of services business for the year amounted to RMB84,110,000, representing an increase of 39% compared to 2006. On the basis of becoming an influential service provider of audit sector for e-Audit project, we effectively explored new strategic sectors and established cooperation relationship with various government supervisory authorities such as State Owned Assets Supervision and Administration Commission, Ministry of Agriculture, Ministry of Labour and Social Security, State Foreign Exchange Administration, State Banking Regulatory Commission, General Administration of Quality Supervision, Inspection & Quarantine, State Food and Drug Administration etc. With the "e-" projects of national informationization and business and technical competitive advantage accumulated over the years in various supervisory domains, the Group will continue to work hard to find out business needs in these newly explored sectors, refine business delivery management, to be oriented towards the whole supply chain of the sectors and develop these into new strategic industry.

During the reporting, the main government informationization projects that we won tender and started services included:

National Audit Office and e-Audit Project:

During the reporting period, the Group continued to promote the application and implementation and deployment of the two systems of e-Audit project Phase 1 at the city and district levels. The advanced technology, stability, functionality and scalability of this system as well as our good services were highly recognized by audit system clients.

As of the end of 2007, the On-site Audit Implementation System (AO) of e-Audit project Phase 1 issued over 74,000 packages in all audit authorities in China. Based on the fact that there are 80,000 audit personnel in the audit authorities in China, the On-site Audit Implementation System (AO) has reached a situation where each audit personnel has one system, and this has become a necessary tool for all audit personnel in China.

During the reporting period, the Group continued to carry out nationwide deployment of Audit Management System (OA), and basically reached the development objective of intensive coverage of OA deployment on a nationwide scale, of which 35 out of the total 37 provincial audit authorities, with a coverage of 95%, 221 out of 329 audit authorities at the district and city level, with a coverage of 67%, and 1,776 out of 2,862 counties, with a coverage rate of 62%.

During the reporting period, the Group started to explore gradually the intranet audit business, we developed intranet audit system for clients such as the Audit Bureau of Nanjing, Chongqing and Shanghai etc. Intranet audit is an important duty of e-Audit Phase 2, it enables auditors to carry out non-on-site audit based on computer network, its characteristics are high efficiency, across regions and real time. The success of the intranet audit business trial run laid a solid cornerstone for us to maintain a leading position in e-Audit project Phase 2.

Following the gradual improvement of e-Audit project and the comprehensive set up of the state audit system GAIS, with the help of OA and AO systems, audit personnel's audit efficiency was highly increased, the audit operation was standardized, consequently the overall audit standard of China and its reputation on an international scale were enhanced, the audit standard and informationization level of the National Audit Office of China became a world leader.

Ministry of Labour and Social Security and e-Security Project (金保工程)

e-Security – the Supervision of Social Security Fund Project

During the reporting period, the Group made full efforts to foster the development and implementation of "e-Security project under the supervision of Social Security Fund" of the Ministry of Labour and Social Security. Non-on-site monitoring is an important method of monitoring the work of various local bodies of the Fund by the Social Security Fund. It is a distant monitoring made by the Labour Protection Department and Social Security Fund supervisory body which carry out inspection and analysis of the relevant data and information sent manually or by network transmission, and they master the situation of the management and system operation of the social security fund of the department being monitored, and discover problems in time and take preventive measures. With constant development of social insurance services, the complexity of the fund monitoring has also increased, and the necessity and advantages of non-on-site monitoring are becoming more obvious. Consequently, providing full support for non-on-site monitoring by means of information technology is an important application and realization of e-Security project, this will be useful for improving the quality and standard of monitoring, facilitating the change from post-event monitoring to pre-event and monitoring during the event, and it is meaningful for the improvement of monitoring system of the Social Security Fund. Through the implementation of this project, the data related to social insurance can be collected, statistics be made, enquired, analyzed and forecast, multi-departmental networking, transfer of information, data sharing social security fund monitoring system can be created based on the information network of e-Security, full support of non-on-site monitoring of social security fund at ministerial, provincial, city and county levels can be made, micro monitoring objectives can be achieved (and the weak areas and doubtful areas are found in time and the management of the fund is strengthened), macro monitoring objectives can be achieved (to understand the situation of operation and support level of the fund in time, to ensure steady operation of the system), effective guarantee for improving the monitoring standard of Labour Protection Departments at all levels and the fund supervisory body is provided

E-Security Remote Business (異地業務) System Application Software development Project

During the reporting period, the Group won and started the "e-Security Remote Business System Application Software development Project" from the Ministry of Labour and Social Security. Based on the policy and measures request to cancel restrictions of the agriculture labour force who go into another city and work in another district during the "Eleventh Five-Year" period motioned by "Labour and Social Security Business Development "Eleventh Five-Year" Plan Outline", and to improve the transfer and continuity of social insurance of the personnel joining the insurance plan, we worked with the Ministry of Labour and Social Security on remote business systems and provided application solutions such as management services for retired person living outside the place of origin, transfer of social insurance relationship across coordinating regions, network settlement of medical consultation/hospitalization outside the place of origin. We made a further step in setting up a national social insurance data centre, creating a statistics monitoring database with nationwide coverage, social insurance interprovincial and remote exchange database and network with connection with data centres at the lower provincial level, monitoring local social security funds, facilitating macro decisions and remote information exchange etc, and laid a solid cornerstone for further expansion in the scope of remote business.

Xinjiang e-Security Project Phase 1 Core Application System

During the reporting period, the Group won the tender of e-Security Project Phase 1 Core Application System development and implementation project from Xinjiang Production and Construction Corps. As the first provincial labour and social security integrated application information system development project created by macro centralized method at provincial level for the e-Security project, we will base on the relevant data and technical standards of the e-Security project of the Ministry of Labour and Social Security, and integrate with the actual situation of the Xinjiang Production and Construction Corps to carry out overall planning and localized development. The core application system will follow the overall objective and design logic of the one core, three platforms of the Ministry of Labour and Social Security, and will comply with the relevant technical and business standards. As the trial of the first national one core, three platforms system, the development of this project will have a symbolic meaning in the e-Security of the Ministry of Labour and Social Security, and this will enable the project to have high degree of promotion and duplication to be applied in similar projects in Xinjiang and other provinces and cities in China.

Ministry of Agriculture and e-Agriculture Project (金農工程)

We won the tender of and started the application support platform set up for the "e-Agriculture" project (phase 1) for the Ministry of Agriculture for a two-tier deployment at both the ministerial and provincial levels for the purpose of creating a uniform agriculture e-Government support environment, standardizing software connection standard, increasing substantially the degree of re-usability of the agriculture business system and the inter-linkage, inter-connection and mutual operation among systems. This platform is not a simple accumulation of components, rather it is a mature commercial software and an organic integration of software of system set up under the overall system structure and restraints of the standard requirements, and it can be expanded, tailor-made, updated and upgraded.

The e-Agriculture project (phase 1) will create a "agriculture e-Government support platform" suitable for agriculture sector application and development characteristics through various technical support system provided by the application support platform, to achieve information exchange and business synergy between the state and local level vertically, and with bodies involved in agriculture horizontally.

State Administration of Foreign Exchange and e-Macro Project

During the reporting period, the Group won the tender of and started the e-Macro Project for the State Administration of Foreign Exchange, with the development and implementation of this project, given the existing operational system of the State Administration of Foreign Exchange, following the uniform standard and standardization, we can set up the International Balance of Payment database and International Balance of Payment common database for sharing, consolidate the information resources of the State Administration of Foreign Exchange, provide information sharing in the International Balance of Payment domain catered for macroeconomic management information system, and form an internal integrated non-on-site supervisory system for the State Administration of Foreign Exchange, to raise the usage level and management standard of foreign exchange management information. At the same time, we can set up the International Balance of Payment management information system, carry out analysis of the International Balance of Payment statistics, make forecast and advanced warning, provide decision making supporting information for the austerity departments, so as to enhance the austerity measures for the economy, manipulate market changes, respond to unexpected economic incidents, increase the capability to control the overall economy, consequently, the implementation of this project has significant impacts.

Since the e-Macro project was led by National Development and Reform Commission, and jointly undertaken by the Ministry of Finance, Ministry of Commerce, People's Bank of China, State Owned Assets Supervision and Administration Commission, China Customs, State Statistics Bureau and State Administration of Foreign Exchange, the successful implementation of this project can also help us to obtain other projects of the e-Macro project.

State Administration of Quality Supervision, Inspection & Quarantine and e-Quality Project (金質工程)

Enterprise quality and credit information database system set up

During the reporting period, the Group successfully won the tender of and started the Enterprise quality and credit information database system set up project for the State Administration of Quality Supervision, Inspection & Quarantine. That database is an important component of the quality inspection business database of the e-Quality project, it is a monitoring management system, filing and approval system and it provides data support for information service system, provides decision support for the supervisory authority, and it also provide services to companies and the general public.

Setting up a national enterprise quality and credit information database system is necessary for providing high quality credit information services to the society, reducing transaction costs for consumers, investors and companies, creating a business environment and faithful operation to facilitate trade activities, providing an informationized protection of a development environment which emphasizes quality. The national enterprise quality and credit information database system includes three parts, namely enterprise quality and credit information exchange (collection), enterprise quality and credit information database and integrated application.

Food Safety Monitoring System Set up

During the reporting year, the Group won the tender of and started the Food Safety Monitoring System set up project for the State Administration of Quality Supervision, Inspection & Quarantine. Its contents include setting up a data platform for applying to the monitoring of food and relevant products, cosmetics in China; developing a food and relevant products basic information management system; supervisory personnel and inspection organization management system; food and relevant product production quality and safety monitoring system; risk control and emergency directing system; supervisory management system. With the setting up of this system, companies can carry out online processing, online feedback, obtain information from the internet; the query and statistic analysis results can be incorporated and presented with electronic map; comprehensive analysis based on the business data of various systems can be made to provide enterprise quality and credit information and quality and security information to the general public.

State Food and Drug Administration

During the reporting period, the Group won the tender and started the administrative management information system project from the State Food and Drug Administration. This is an important project of the e-Government system of the State Food and Drug Administration, it comprises design, development, integration, implementation and services, and is a large scale e-Government application system development and integration project involving both ministerial and provincial levels. We were responsible for the design, development, integration, implementation and services of this project. It will provide permitted entrance to a uniform management platform of projects under administrative permit and one-stop services to users to achieve highly efficient services to and effective monitoring of administrative counterparties; achieve information sharing, inter-connection and inter-linkage, optimized workflow, business synergy of administrative permit work; formulate standard standardization system for Chin's food and drug monitoring management informationization set up; achieve management style by grade with the integration of user and business workflow, reasonable classification of authority, balancing the duties, authorities and workload of management personnel; achieve the transformation from function-based government to service-based government, provide personalized, convenient, real time methods of various informationized services.

State Owned Assets Supervision and Administration

During the reporting period, the Group officially accepted the duty of setting up the "System for management of information system for punishment and prevention of corruption" from State Owned Assets Supervision and Administration. This system is oriented towards the State Owned Assets Supervision and Administration and various central enterprises under its supervision, it provides the setting up of preventive system informationization platform, creation of political party atmosphere and anti-corruption propaganda educational platform, information collection for the setting up of preventive system, statistic platform and analysis and alert of anti-corruption work and informationized tools for performance appraisal and evaluation, creation of an information database for ethical enterprise leaders.

Social Public Services System

Urban transport

After the Group accepted the “Urban public transport Communications Card” system of the major project of Shanghai society informationization set up IC card application, this kind of project has been launched successively in different cities in China as civil project. During the reporting period, we implemented “Harbin public transport IC card system”, which is a system integration project with the most functions among public transport Communications Card projects, this project has been highly recognized by the Ministry of Construction, and is known as “Harbin model” and has been launched in China. During the reporting period, we also signed the contract of “Hefei Communications Card project”.

As the research and development service provider of domestic production railroad transport AFC (railroad transport operation by network automatic ticket sales and inspection system), the Group has invested in the AFC domain for a few years and has successfully developed “railroad transport operation by network automatic fare collection (AFC) system”. This system is applied in Shanghai railroad transport Line 6 and was successfully online in December 2007. The successful implementation of Line 6 enabled us to have a successful case of comprehensive smooth completion of implementation of the areas of AFC system set up and implementation, this provides a strong support for our future market expansion in railroad transport AFC domain. “Railroad transport one ticket all transit funds classification and settlement system” provides strong technical support for Shanghai municipal government’s implementation of Shanghai railroad transport and public transport transit concessionary fee policy.

Consumer Packaged Goods Industry

For the consumer packaged goods industry, the Group’s direction of strategies is positioned at the consumer goods logistics domain, especially in the tobacco industry, we provides full services from management consultancy, business consultation, software development, project implementation to day-to-day system operation maintenance for the tobacco industry in China, our business scope covers ERP, MES, industrial and commercial logistics, industrial and commercial marketing, commercial network set up, data centre, office automation, enterprise application integration etc; given our thorough understanding of the tobacco industry, we participate in the formulation of standard system for the tobacco industry data centre and overall planning of the e-Government of this industry, provide total solutions for e-commerce system, e-Government system and management decision systems for the informationization of tobacco information.

During the reporting period, the Group further fueled the promotion and implementation of the “State Tobacco Monopoly Administration carton–level tobacco track and trace system and purchase order information collecting system” project on a nationwide scale. Leveraging on the thorough development of strategic partnership between the Group and the State Tobacco Monopoly Administration, and the effective utilization of resources and in-depth exploitation of the Group’s technical expertise, the Group continued to seek cooperation projects with various large tobacco industrial groups and tobacco companies at provincial level in order to secure its leading position in this field.

"National agency decision making carton-level tobacco track and trace system and purchase order information collecting system project" refers to the method of collecting commercial enterprise sales and inventory data via bar code on packaged cigarettes to carry out logistics follow up and data analysis from the tobacco wholesale to retailing stage, and at the same time collect the order, sales and inventory data of commercial enterprises so that the product tracking and data analysis of tobacco production management decision making system can be more complete. In this way, the purchase, sales and inventory data of commercial enterprises can be collected in a comprehensive, timely and accurate manner, providing more accurate, timely and effective data support for the austerity measures by the state agencies, paving way to arrange procurement according to orders and arrange production according to orders, and providing means for more effective informationization to the monopoly management.

According to the agreement entered into with State Tobacco Monopoly Administration, the Group will provide implementation and deployment services for 375 tobacco companies including 33 tobacco companies at provincial level. As of the end of this reporting period, contracts were signed with 340 tobacco companies and implementation was started on site, the percentage share was 90.7%.

During the reporting period, those other tobacco informationization projects of which the Group won the tender and started services included:

RFID-based tobacco logistics track and trace project for over ten provinces and cities such as Shanghai, Zhejiang and Guangdong

Coupled with the tobacco production and operation decision making system, this project adopted the advanced RFID technology to code and store barcode information of a mound of tobacco, enabling the tobacco factories to perform warehouse exit scanning and the commercial enterprises to perform warehouse entry scanning in whole pallet. With the support of a portable barcode scanner, the scanned barcode data were managed in an integrated manner, by which duplicate barcode scanning and data entry could be effectively avoided. The efficiency and accuracy of the production and operation decision making system and the industrial and commercial logistics system were significantly enhanced.
By applying RFID technology in modern supply chain and logistics management, we help the users to build up an advanced, efficient, sophisticated, flexible, open, integrated and safe logistics management platform in order to satisfy their "uniform management of ongoing business needs", in this way the quality of logistics services and logistics efficiency is raised, the logistics costs are reduced, the control over the market is enhanced, sustainable and steady growth is achieved. At the same time, in order to satisfy the needs of the regional supply centres with well classified clients and reasonable planning, the setting up of this system effectively supports the logistics systems of closely interrelated commercial and industrial sectors, strengthens the capability in regional logistics management and third party logistics business of the tobacco industry.

Completed the project of changes in group format cum decision making system expansion and application for China Tobacco Industry Corporation of Hunan, Jiangsu and Henan etc

The development of this project enables the tobacco production operational decision management system to adapt to the current operational management mode of China Tobacco Industry Corporation at provincial levels, creates and maintains a system of basic information code, basic business standard and basic business indicator consistent with the industry; creates various data collection channels required for project set up, forms a basic platform for the State Tobacco Monopoly Administration No. 1 Project data expansion and application management; masters information on the specifications of various tobacco of

China Tobacco Industry Corporation: production volume, sales volume, inventory, price, costs, profit, flow etc in a complete, timely and accurate manner as well as basic data such as contract performance situation, achieves monitoring and analysis of tobacco production and operation, market situation; correctly reflects the performance of the product in the market and market situation, forms better industrial and commercial coordination relationship, strengthens the implementation of procurement according to orders (order-based production), assists the companies to achieve brand strategies, improve core competitiveness.

Hunan China Tobacco Industry Corporation administrative work coordination and gateway integration services project (辦公協同與門戶集成服務項目)

The contents of this project include the administrative work coordination and gateway integration of Hunan China Tobacco Industry Corporation as well production and sales coordination platform, with the setting up and implementation of this project, this helps Hunan China Tobacco Corporation to build up a forward looking, advanced, scalable administration and gateway system for large group company which is in line with its strategic goals and IT overall plan.

Completed Yunnan tobacco data centre project

That project is oriented towards the commercial domain of Yunnan tobacco, it consolidates the information system data of monopoly management, sales management, management of tobacco leaves, financial management etc of the whole Yunnan province. It sets up a data centre for the sector, forms information channel, business channel, management channel and services channel for the accessible by the sector. At present, the project has entered into the trial run stage.

Success of the tobacco leaf logistics project

During the reporting period, due to the State Tobacco Monopoly Administration's view of "reallocation in place of origin" of tobacco leaf, the tobacco leaf logistics system that the Group had developed was launched in 5 pilot points such as Fujian and Sichuan etc, whereby a tobacco logistics management system was formed with the emphasis of reallocation in the place of origin, based on bar code technology, which covered the main stages such as acquisition of tobacco leaf, transport reallocation at stations, centralized warehouse management, reallocation of tobacco leaf, smoking punishment (罰設煙管理) etc.

Achieving nationwide coverage of tobacco basic software

During the reporting period, the Group completed the launching of tobacco basic software usage in 5 provinces including Sichuan, Guizhou, Shandong, Hubei and Inner Mongolia, and achieved nationwide coverage of the basic software in major tobacco production regions in China. On top of guaranteeing the normal operation of the basic software in the original 19 provinces during this year, version 2.0 of the tobacco basic software was completely online in these 5 provinces, symbolizing that the tobacco basic software has completed an important technical improvement.

IT outsourcing services – Domestic-oversea resources interaction & Exploration of strategic accounts

Exploring the IT outsourcing services domain with the interaction of domestic-oversea competitive advantage resources, exploring business while taking into account industry development and strategic key clients are what distinguishes us as a group with overall services capability from individual service provider of single outsourcing business.

During the reporting period, the Group's IT outsourcing (ITO and BPO) service business achieves comprehensive and rapid development, completely strengthened the technical service capability through a combination of organic growth and merger and acquisition, the businesses cover a full range of low end to high end technical services such as BPO (including Call Center, Data-entry and CAD), Testing, Localization & Globalization, Products engineering, Application Development and Packaged Software Services. The revenue of IT outsourcing services excluding banking & financial services industry for 2007 arrived at RMB224,620,000, representing an increase of 76% compared to the same period last year.

During the reporting period, the Group continued to strengthen business exploration of overseas strategic clients, and further improved our Dual-shore outsourcing services development strategy and made good business performance.

During the reporting period, the Group obtained substantial development of strategic clients both in terms of number and scale: the number of clients increased to 5 this year from 1 of last year, the revenue of outsourcing services from these 5 strategic clients was 69% of the total revenue of outsourcing services (last year the percentage share of these strategic clients was 43%).

Using the business model of Dual-shore, in 2007 the Group further strengthened the team building with US and Japan front offices, recruited local personnel, enhanced communication with overseas strategic clients in terms of standard, management and culture etc, worked hard to find out business needs, while effectively arranged Onsite/Near-shore business team to provide proper local IT services to clients, on one hand based on clients' business and technical requirements, prepared in time technical resources in China through effective interaction with the recruitment and training centres of Chinasoft International, on the other hand expanded substantially the scale of Offshore outsourcing business, and effectively arranged the submission of overseas client projects by COE organization method. During the reporting period, the percentage share of Onsite and Offshore outsourcing business revenues were 44% and 56% respectively. Our outsourcing business classified by clients indicated that the main source was from multinational clients, and when classified according to the place of head office, they were mainly in the two main regions of Europe and America and Japan, with a percentage share of 79% and 21% of the outsourcing business revenue respectively.

Regarding Japan IT services market, the Group directly obtained Japanese local companies which had been cooperating for a number of years with the Japanese outsourcing generation clients through the acquisition of 東京信華 under HGR. On one hand, we expanded the business scale of our Japan outsourcing services to reach RMB50,620,000, representing an increase of 156% compared to last year; on the other hand, we made efforts to explore the medium end and high end workflow outsourcing services based on the existing low end and medium end BPO and ITO, and obtained clients' respect with our long term, stable and high quality services, and became reputable China information services company in Japan market, and laid a solid cornerstone for our further development of Japan market, more effective development and management of strategic clients.

Concerning Europe and American IT services market, the Group obtained an excellent team with years of US local business expansion experience and industry consultation and development experience through our acquisition of Double Bridge located in New Jersey, USA under HGR. It supplemented the competitive advantage of the original business team of Chinasoft International located in Seattle, on one hand this strengthened the business development capability in the local US market, the competitive advantage of human resources in China could be better used, this accelerated the process of developing Europe and American strategic clients; on the other hand the Group thoroughly consolidated the industry experience accumulated by Double Bridge in the pharmaceutical and financial services domains and the competitive resources of Chinasoft International's ITO and domestic solutions, this laid a base for further development of medium end and high end IT services outsourcing business in Europe and American markets.

The establishment of a front office and market development in the overseas market enabled us to narrow the distance with overseas strategic clients (and potential strategic clients), increase our understanding of customer needs, effectively improve the quality of services, develop the ability of making faster feedback of services. At the same time, we directly brought in through our overseas front office several medium end and high end personnel who were familiar with outsourcing business, this strengthened the overall power of the outsourcing operational team.

The Group further improved the delivery quality of IT Offshore outsourcing project through strengthening the recruitment and training of personnel. During the reporting period, we strengthened the set up of offshore outsourcing centre in Beijing, Shanghai, Changsha and Dalian. Focusing on the overseas front office, stressing on strategic clients' business and technical needs, we set up COE (Center of Excellence) team oriented towards strategic client services in China or professional technical capability, in this way, it was helpful for organizing professional resources and ensured the delivery of high quality project, on the other hand it made a good basis for professional and large scale development of future outsourcing business; every COE team was given resource training and protection system of the ETC (Excellence Training Center), this provided basic personnel protection for large scale business exploration and team expansion in the current outsourcing market with keen competition for human resources, and set solid roots for refilling Chinasoft International's human resources and improving their ability.

During the reporting period, we made good use of the American business team's domain knowledge, as well as the domestic solution business team's business experience and market advantage of government informationization and general monitoring business domains won the tender of "administrative permit management information system project" from the State Food and Drug Administration. This showed clearly the synergy brought by good merger and acquisition and consolidation, and also proved the correctness and effectiveness of setting up the "domestic-oversea interaction" platform by Chinasoft International.

Training Business – "Human resources supply chain" with initial scale:

During the reporting period, the Group further strengthened the setting up of Chinasoft International recruitment and training centre based on the original computer training centre, and interaction was made with the existing IT service business, we continued to expand the scale of the practical training base and strengthen the training of staff's technical ability, created a development platform of Chinasoft International "IT industry human resources supply chain". The "human resources supply chain" is our strategic basic resources set up, and an important competitiveness of our large scale development of IT services.

During the reporting period, the Group's established Beijing Excellence Training Center (ETC) and Global Resources Recruitment Beijing Centre to maintain the human resources supply chain for our fast expanding business and contributed talents to the software industry in China as well.

Complete commencement of a series of establishment such as the Excellence Training Center (ETC):

ETC is an important establishment for the idea of creating a "human resources supply chain" platform based on the Practical Training Campus, Chinasoft International emphasized on a nationwide radial extension of the ETC concept from Beijing to duplicate the ever-improving successful model to second and third tier cities, and to develop together with COE of IT services.

In order to meet the demands of the market and group development strategies, Chinasoft International Training Centre continued to maintain the strategy of developing professional training transformation while securing the growth of traditional training business at the same time, and it gradually expanded the scale of Chinasoft Practice and Training Campus. As of 31 December 2007, 78 universities already built up cooperation relationship with Chinasoft Practical Training Campus, with approximately a total of 5,000 students participated in the training courses of the Campus.

At the same time, the Training Centre designed more specific courses and made more specific plans according to the Company's existing business structure, with the development of software outsourcing business in particular. This safeguarded the "practise what you have learnt, use it immediately after you have learnt" mentality of students joining the training, and was welcomed by participating students. Not only these measures made Chinasoft International Training Centre become the human resources database within the Group, they also produced massive personnel of high caliber for the society and software industry. Now, "Chinasoft International Training Centre" already built up a good brand image among universities and educational training institutions. During the reporting period, the traditional IT training of the Training Centre obtained rapid development results, in 2007 it offered a total of 209 training classes, and accomplished the training of 7,500 students.

As the training base of the Group, the Centre not only provides a large number of back up personnel for the Group internally, but also improves the existing staff's technical and project management ability through sustainable internal training such that they grow up rapidly to become business key personnel meeting work requirements.

During the reporting period, the Training Centre was granted official authority by CSIP and became one of the authorized training centres of "National 521 Plan" of the National Information Technical Engineers Training Program.

Set up a global resources recruitment centre, supply new blood for the Group's future development:

During the reporting period, the Group set up the Global Resources (Beijing) Recruitment Centre. This centre combines the recruitment departments of Beijing Chinasoft Resource (北京中軟資源) under Chinasoft International and Cyber Resource (北京中軟賽博資源), to be in charge of outsourcing recruitment under the Group. The setting up of the recruitment centre is an important measure of the Group to increase our reserve of personnel, at the same it uses the format of innovative channel panels and independent recruitment panel to further foster recruitment and support the Recruitment Centre by constantly providing new blood to enterprises.

HUMAN RESOURCES

As of 31 December 2007, the Company hired 4,363 staff, of which 3,123 were degree holders. For the year ended 31 December 2007, the total remuneration we paid to staff amounted to approximately RMB167,807,818.

The number of staff of all the departments of the Company as of 31 December 2006 and 2007 were as follows:

Department	**2007**	2006
Management	**267**	170
Finance and administration	**173**	71
Research and development	**3,656**	2,035
Sales, technical support and marketing	**267**	106
Total	**4,363**	2,382

The remuneration level of our staff is reasonable. Staff are rewarded according to our overall salary and bonus policy and their performance, and the salary and bonus policy will be updated every year. The Group will continue to launch mandatory provident fund scheme to its Hong Kong staff pursuant to the stipulations of Hong Kong Ordinance Chapter 485 Mandatory Provident Fund Scheme Ordinance. At the same time we will provide medical insurance plan for our Hong Kong staff. According to the relevant regulations in China, the Group must participate in the staff retirement plan implemented by the local government agencies in China and make contributions for staff qualified for this plan.

PROSPECTS OF PERFORMANCE

We will continue to persist on the existing business model, and on the basis of exploring the existing successful business model, we will convert the idea of "Top Platform of Intelli-ed in China" ("中國智造第一平台") into the strategic goal of the coming years (2008-2010). "Top Platform of Intelli-ed in China" is an action outline covering all our businesses and overall operation, it can be achieved by creating "The Top Platform in Industry IT consolidation", "Top Platform with Domestic-oversea Interaction" and "Top Platform of Human Resources Supply Chain".

For 2008, the Group will further achieve competitive advantage interaction, resource integration through merger and acquisition, and will optimize operational management through fostering standardized personnel management and creation of systems.

In 2008, the Group will further solidify its position in those industries where it has competitive advantage and set up general strategic alliance within the industries to ensure its competitive advantage in those industries and maintain sustainable development of business.

For 2008, the Group will make use of the dual culture, medium end and high end human resources of Singapore and Hong Kong to create consolidated competitive advantage by combining them with the medium end and low end human resource in China under ETC protection; based on the unique advantage in sectors that we possess competitive advantage in China, with the protection of human resources integration, we will focus on exploring certain European and American strategic clients, pave the concrete development path of developing European and American business on large scale, create the strategy of biological environment complete development.

By sharing the industry opportunity of China's fast growing software industry, in 2008, the Group will enrich the meaning of Chinasoft International being "Top Platform of Intelli-ed in China" with the business development strategy of "innovative, interactive, integrative" and will further advance towards the strategy of becoming a total and global IT services provider.

DIRECTORS' SERVICE CONTRACTS

Dr. Chen Yuhong, Dr. Cui Hui, Mr. Duncan Chiu have each entered into a service agreement with the Company. Particulars of these contracts, except as indicated, are in all material respects identical and are set out below:

(i) each service contract is of two years duration commencing on 20 June 2003. The service contract shall continue thereafter until terminated by either party giving to the other not less than three months' prior written notice, such notice not to be given before the expiry of the initial term of two years;

(ii) the monthly salary for Dr. Chen Yuhong, Dr. Cui Hui and Mr. Duncan Chiu for the first year of appointment commencing on 20 June 2003 is RMB70,000, RMB10,000 and RMB10,000 respectively. Such salary is to be reviewed annually by the board of Directors. For the period from the expiry of the first year of appointment, the salary of these three executive Directors shall be determined by the board of Directors but shall not be more than 120 percent of the annual salary of such Director for the preceding year;

(iii) Dr. Chen Yuhong, Dr. Cui Hui and Mr. Duncan Chiu are each entitled to management bonus by reference to the consolidated net profits of the Group after taxation and minority interests but before extraordinary items as shown in the Group's audited consolidated accounts for the relevant financial year (the "Net Profits") as the Board may approve, provided that the aggregate amount of management bonuses payable to all executive Directors in respect of any financial year of the Group shall not exceed 5 percent of the Net Profits; and

(iv) each such Director shall abstain from voting and shall not be counted in the quorum in respect of the resolution regarding the amount of management bonus payable to himself/herself.

Dr. Tang Zhenming, Mr. Wang Hui, Dr. Leung Wing Yin Patrick and Mr. Su Zhenming have not entered into service agreements with the Group. The annual director's fee for both Mr. He Ning and Mr. Zeng Zhijie is HK$120,000, while the monthly remuneration for Dr. Tang Zhenming, Mr. Wang Hui, Dr

Leung Wing Yin Patrick and Mr. Su Zhenming is RMB23,500, RMB37,500, HK$10,000 and HK$10,000 respectively. Mr. Liu Zheng and Mr. Timothy Chen Yung Cheng receive no remuneration for holding their office as non-executive Director.

Mr. He Ning and Mr. Zeng Zhijie were appointed as independent non-executive Directors pursuant to letters of appointment for a term of 2 years from 20 June, 2003, and their appointments have continued since expiry of such term. Each of them receives an annual remuneration of HK$120,000 for his office.

None of the Directors has entered into any service agreements with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Details of the Directors' remuneration are set out in note 10 to the financial statements. Save as disclosed in note 10 to the financial statements, there are no other emoluments, pension and any compensation arrangements for the Directors and past Directors as is specified in Section 161 and 161A of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2007, the following Directors had interests in the shares and underlying shares of the Company and shares in an associated corporation (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) of the Company as set out below and recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules:

Long positions in shares of HK$0.05 each in the capital of the Company ("Shares")

Name of Director	No. of Shares	Approximate percentage of total issued share capital of the Company
Chen Yuhong	27,617,472	2.79%
Cui Hui	20,500,000	2.07%
Wang Hui	9,517,838	0.96%
Tang Zhenming	11,747,765	1.19%

Options to subscribe for Shares

Name of Director	Exercise Price *(HK$)*	No. of share options outstanding as at 31 December 2007	Percentage of total issued share capital of the Company	No. of underlying Shares interested in	Note
Chen Yuhong (Note1)	0.58	300,000	0.04%	6,550,000	(4)
	0.65	1,250,000	0.15%		(5)
	0.97	1,200,000	0.15%		(6)
	1.78	3,800,000	0.47%		(7)
Cui Hui	0.65	500,000	0.06%	500,000	(4)
Duncan Chiu	0.65	1,000,000	0.12%	1,000,000	(4)
Tang Zhenming (Note2)	0.58	80,000	0.01%	4,180,000	(4)
	0.65	1,300,000	0.16%		(5)
	0.97	800,000	0.10%		(6)
	1.78	2,000,000	0.25%		(7)
Wang Hui (Note 3)	0.58	250,000	0.03%	5,000,000	(4)
	0.65	1,750,000	0.22%		(5)
	0.97	1,000,000	0.12%		(6)
	1.78	2,000,000	0.25%		(7)
Zheng Zhijie	1.78	750,000	0.09%	750,000	(7)

Notes:

(1) An aggregate of 900,000 shares options were exercised by Dr. CHEN Yuhong at the exercise price of HK$0.58 each and an aggregate of 3,750,000 share options were exercised by Dr. CHEN Yuhong at the exercise price of HK$0.65 each. Hence, following the exercise of these share options and the grant of new share options the number of share options outstanding reduced to 6,550,000 as at 31 December 2007.

(2) An aggregate of 240,000 shares options were exercised by Dr. TANG Zhenming at the exercise price of HK$0.58 each and an aggregate of 1,300,000 share options were exercised by Dr. TANG Zhenming at the exercise price of HK$0.65 each. Hence, following the exercise of these share options and the grant of new share options the number of share options outstanding reduced to 4,180,000 as at 31 December 2007.

(3) An aggregate of 750,000 shares options were exercised by Mr. WANG Hui at the exercise price of HK$0.58 each and an aggregate of 1,750,000 share options were exercised by Mr. WANG Hui at the exercise price of HK$0.65 each. Hence, following the exercise of these share options and the grant of new share options the number of share options outstanding reduced to 5,000,000 as at 31 December 2007.

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

Exercisable 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

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

Exercisable 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

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

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

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

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

Save as disclosed above and so far as was known to the Directors, as at 31 December 2007 none of the Directors or chief executive of the Company had any interests or short positions in the shares, debentures or underlying shares of the Company or its associated corporations (as defined in 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 (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

As at 31 December 2007, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2007 (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.

As at 31 December 2007, none of the Directors were materially interested in any subsisting contract or arrangement which was significant in relation to the business of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

During the year ended 31 December 2007, save as disclosed above, none of the Directors was granted any options to subscribe for shares of the Company. As at 31 December 2007, none of the Directors had any rights to acquire shares in the Company save as disclosed above.

REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS

During the year ended 31 December 2007, the Company had adopted a code of conduct for directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all the Directors, the Directors had complied with the required standard of dealings and the code of conduct for directors' securities transactions during the year ended 31 December 2007.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business to which the Company, any of its subsidiary, its holding company or any subsidiary of its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in Shares

Name	Nature of interest	Approximate number of Shares *(million)*	Approximate percentage of total issued share capital of the Company
China National Computer Software & Information Technology Service Corporation (Hong Kong) Limited ("CS&S (HK)") (Note 1)	Beneficial interest	199.01	20.11%
Chinasoft National Software and Service Company Limited ("CNSS") (Note 1)	Interest of controlled corporation	199.01	20.11%
Chinasoft International (Hong Kong) Limited ("Chinasoft (HK)") (Note 2)	Interest of persons acting in concert	199.01	20.11%
Far East Holdings International Limited ("Far East Holdings") (Note 3)	Beneficial interest	130.42	13.18%
Greater Pacific Capital Partners, LP ("GPC") (Note 4)	Beneficial interest	99.27	10.03%
International Finance Corporation ("IFC") (Note 5)	Beneficial interest	97.25	9.82%
Microsoft Corporation ("Microsoft") (Note 5)	Beneficial interest	97.25	9.82%
ABN AMRO Holding N.V. (Note 6)	Beneficial interest	59.26	5.99%

Notes:

1. CNSS is taken to be interested in the Shares in which CS&S (HK) is interested. CNSS holds approximately 99.3% of the total voting rights of CS&S (HK).

2. Chinasoft (HK) and CS&S (HK) are parties to agreements to acquire interests in the Company which include provisions imposing restrictions with respect to the disposal of interests acquired, and Chinasoft (HK) is taken to be interested in the Shares in which CS&S (HK) is interested pursuant to section 318 of the SFO.

3. Mr. Duncan Chiu, a non-executive Director, is nominated by Far East Holdings. Mr. Duncan Chiu is a director of Far East Holdings.

4. Greater Pacific Capital Partners, LP was interested in 99,268,639 shares.

5. IFC and Microsoft were each interested in 97,250,000 Shares which could be issued to each of them upon the conversion of the 97,250,000 series A preferred shares of HK$0.05 each in the capital of the Company ("Series A Preferred Shares") allotted and issued to each of them on 6 January 2006. Each of IFC and Microsoft holds 50% of the total 194,500,000 Series A Preferred Shares in issue.

6. ABN AMRO Holding N.V. was interested in 59,260,000 shares.

Save as disclosed above, as at 31 December, 2007, no other interest or short position in the Shares or underlying shares of the Company were recorded in the register required to be kept under section 336 of the SFO.

COMPETING INTERESTS

As at 31 December 2007, Dr. Cui Hui, an non-executive Director, was interested in approximately 1.34% of the issued share capital of CNSS. Dr. Cui Hui also served as a director of CNSS. In addition, Mr. Su Zhenming (an non-executive Director) and Dr. Chen Yuhong (an executive Director) had been appointed as directors of CNSS since September 2006 and April 2004 respectively. 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 information technology outsourcing.

Save as disclosed above, as at 31 December 2007, none of the Directors or the management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competed or might compete with the business of the Group.

AUDIT COMMITTEE

The Company established an audit committee on 2 June 2003 with written terms of reference in compliance with the requirements as set out in Rules 5.28 to 5.33 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 comprises three independent non-executive directors, namely Mr. He Ning and Mr. Zeng Zhijie and Dr. Leung Wing Yin Patrick.

The annual results of the Group for the year ended 31 December, 2007 have been reviewed by the audit committee of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Group has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules during the year under review.

FINAL DIVIDEND AND CLOSURE OR REGISTER OF MEMBERS

The Board recommend the payment of a final dividend of HKD0.005 (2006: HKD0.001 dividend and per share for the year ended 31 December 2007, totaling approximately HKD4,949,192 (2006: HKD758,817), to shareholders.

The register of members of the Company will be closed from 5 May 2008 to 8 May 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates, must be lodged with the Company Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 2 May 2008, Friday. Subject to the approval of the final dividend by shareholders at the forthcoming annual general meeting, the relevant dividend warrant will be despatched to shareholders on 30 June 2008.

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

Hong Kong, 31 March 2008

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

Executive Directors:
Dr. CHEN Yuhong *(Managing Director)*
Dr. TANG Zhenming
Mr. WANG Hui

Non-executive Directors:
Mr. SU Zhenming *(Chairman)*
Dr. CUI Hui
Mr. Timothy CHEN Yung Cheng
Mr. Duncan CHIU
Mr. LIU Zheng

Independent Non-executive Directors:
Mr. HE Ning
Mr. ZENG Zhijie
Dr. LEUNG Wing Yin

This announcement will remain on the "Latest Company Announcements" page of the GEM website at http://www.hkgem.com for at least seven days from its date of publication.