THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Chinasoft International Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee. This circular is addressed to the shareholders of Chinasoft International Limited in connection with a special general meeting to be held on 3 August 2004. This circular is not and does not constitute an offer of, nor is it intended to invite offers for, shares in or other securities of Chinasoft International Limited.

CHINASOFT INTERNATIONAL LIMITED
中軟國際有限公司*

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

DISCLOSEABLE AND CONNECTED TRANSACTION

ACQUISITION OF 15% OF THE REGISTERED CAPITAL OF CHINASOFT INTERNATIONAL INFORMATION TECH. LTD. BY ISSUE OF NEW SHARES

Financial Advisor to the Company

Oriental Patron Asia Limited

Independent financial adviser to the Independent Board Committee

SBI E2-Capital (HK) Limited

A letter from the Board is set out on pages 3 to 10 of this circular. A letter from the Independent Board Committee is set out on page 11 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Shareholders is set out on pages 12 to 24 of this circular.

A notice convening the EGM to be held at 27th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong at 3:00 p.m. on 3 August 2004 is set out on pages 34 and 35 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit with the Company at its principal place of business in Hong Kong at Units 4607-08, 46th Floor, COSCO Tower, No. 183 Queen's Road Central, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM should you so wish.

16 July 2004

* *for identification purpose only*

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

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

"Acquisition"	the acquisition by Chinasoft HK of the Equity Interest held by the Vendor pursuant to the Agreement
"Agreement"	the agreement dated 24 June 2004 entered into between Chinasoft HK and the Vendor in relation to the Acquisition
"associate"	has the meaning ascribed to it in the GEM Listing Rules
"Board"	the board of Directors
"Beijing Chinasoft"	北京中軟國際信息技術有限公司 (Beijing Chinasoft International Information Tech. Ltd., formerly known as Beijing Chinasoft FE International Information Technology Limited), a wholly-foreign owned enterprise established in the PRC and a 85% owned subsidiary of the Company
"Chinasoft HK"	Chinasoft International (Hong Kong) Limited, a company incorporated in Hong Kong on 3 November 1999, the entire issued share capital of which is beneficially owned by the Company
"CS&S"	中國計算機軟件與技術服務總公司 (China National Computer Software & Technology Service Corporation), a state-owned enterprise established in the PRC and the parent company of the Vendor
"CS&S(HK)" or "Vendor"	China National Computer Software & Technology Service Corporation (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and is owned as to 95.71% by CS&S and 4.29% by an independent third party not connected with the directors, chief executive, substantial shareholders or management shareholders of the Company or any of its subsidiaries or an associate of any of them
"Company"	Chinasoft International Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM
"Completion"	completion of the Acquisition pursuant to the Agreement
"Consideration Shares"	57,500,000 new Shares to be allotted and issued by the Company to the Vendor pursuant to the Agreement
"Director(s)"	the director(s) of the Company
"EGM"	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Acquisition, scheduled to be held on 3 August 2004

"Equity Interest"	15% of the registered capital of Beijing Chinasoft owned by the Vendor
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"HK GAAP"	generally accepted accounting principles in Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent committee of the Board comprising the two independent non-executive Directors, namely Mr. He Ning and Mr. Zeng Zhijie
"Independent Financial Adviser" or "SBI E2-Capital"	SBI E2-Capital (HK) Limited, a licensed corporation to carry out types 1, 4, 6, and 9 regulated activities under the SFO, has been appointed as the independent financial adviser to the Independent Board Committee and the Shareholders in relation to the Acquisition
"Latest Practicable Date"	14 July 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"PRC"	the People's Republic of China
"SFO"	the Securities & Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.05 each in the issued share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on 2 June 2003
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent

中软国际

CHINASOFT INTERNATIONAL LIMITED
中軟國際有限公司*

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

Executive Directors
Dr. Chen Yuhong
Mr. Cui Hui
Mr. Duncan Chiu
Mr. Peng Jiang

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

Independent Non-executive Directors
Mr. He Ning
Mr. Zeng Zhijie

Registered office
Century Yard, Cricket Square,
Hutchins Drive, P.O. Box 2681 GT,
George Town, Grand Cayman,
Cayman Islands,
British West Indies

Principal place of business in Hong Kong
Units 4607-08, 46th Floor
COSCO Tower,
No. 183 Queen's Road Central,
Hong Kong

16 July 2004

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

ACQUISITION OF 15% OF THE REGISTERED CAPITAL OF CHINASOFT INTERNATIONAL INFORMATION TECH. LTD. BY ISSUE OF NEW SHARES

INTRODUCTION

The Directors announced on 24 June 2004 that Chinasoft HK, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor to conditionally agree to acquire the Equity Interest from the Vendor. The consideration will be satisfied by the allotment and issue of Consideration Shares by the Company, credited as fully paid, to the Vendor.

Prior to the Completion, Beijing Chinasoft is owned as to 85% by Chinasoft HK and 15% by the Vendor. Upon Completion, Beijing Chinasoft will become a wholly-owned subsidiary of the Group.

* *For identification purpose only*

The Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules. As the Vendor is a connected person of the Group at the subsidiary level under the GEM Listing Rules, the Acquisition also constitutes a connected transaction of the Company under the GEM Listing Rules and is subject to the independent Shareholders' approval.

The Independent Board Committee, comprising Mr. He Ning and Mr. Zeng Zhijie, has been established by the Board to advise the independent Shareholders as to the fairness and reasonableness of the Acquisition. SBI-E2 Capital has been appointed as the independent financial adviser to provide its opinion to the Independent Board Committee and the Shareholders in connection with the Acquisition.

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

THE AGREEMENT

Date

24 June 2004

Parties

Vendor: CS&S(HK)

Purchaser: Chinasoft HK

Interest to be acquired

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

Consideration

The consideration will be satisfied by the allotment and issue of the Consideration Shares by the Company, credited as fully paid, to the Vendor. The Consideration Shares represent approximately 8.98% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 8.24% of the issued share capital of the Company as enlarged by the Acquisition.

The Consideration Shares represents:

(a) a market value of HK$43,930,000, based on the average closing price of HK$0.764 per Share as quoted on the Stock Exchange for the last five trading days up to 15 June 2004 (being the last trading day prior to the suspension of the trading of the Shares on the Stock Exchange pending the issue of the Announcement);

(b) a market value of HK$43,125,000, based on the closing price of HK$0.75 per Share as quoted on the Stock Exchange on 15 June 2004 (being the last trading day prior to the suspension of the trading of the Shares on the Stock Exchange pending the issue of the Announcement); and

(c) a market value of HK$43,125,000, based on the closing price of HK$0.75 per Share as quoted on the Stock Exchange on 14 July 2004 (being the last trading day prior to the Latest Practicable Date on the Stock Exchange).

The consideration for the Equity Interest was determined following arm's length negotiations between the Company and the Vendor having considered the historical earnings and future prospects of Beijing Chinasoft. With reference to the average closing price of HK$0.764 per Share for last five trading days up to 15 June 2004 (being the last trading day prior to the suspension of the trading of the Shares on the Stock Exchange pending the issue of the Announcement) and the closing price of HK$0.75 as at the Latest Practicable Date, at an exchange rate of HK$1 to RMB1.065, the monetary value by issue of the 57,500,000 Consideration Shares (which is equivalent to approximately HK$43.93 million and HK$43.13 million respectively) for the Acquisition is equivalent to approximately 11.38 times and 11.12 times respectively of the attributable audited net profit after tax (as adjusted to HK GAAP) and 3.30 times and 3.24 times respectively of the attributable audited net assets value (as adjusted to HK GAAP) of Beijing Chinasoft for the year ended 31 December 2003.

The Directors consider that the terms of the Acquisition are fair and reasonable and are on normal commercial terms and in the best interests of the Company and the Shareholders as a whole.

Status of Consideration Shares

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

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

Conditions of the Agreement

Completion of the Agreement is conditional upon the fulfillment of the following conditions:

(a) approval by the Shareholders of the acquisition by Chinasoft HK of the Equity Interest from the Vendor and of the issue of the Consideration Shares by the Company at an extraordinary general meeting of the Company to be held;

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

(c) documentary evidence in such form and content satisfactory to Chinasoft HK confirming:-

(i) the completion of the transfer of 15% of the registered capital of Beijing Chinasoft from CS&S to the Vendor; and

(ii) the conversion of the Beijing Chinasoft from its previous status as a sino-foreign equity joint venture to a wholly foreign owned enterprise in compliance with PRC laws;

(d) approval of the transfer of the Equity Interest from the Vendor to the Chinasoft HK by the board of directors of the Beijing Chinasoft; and

(e) approval by the original examination and approval authority of Beijing Chinasoft (being 中關村科技園區海淀園數字園區管理服務中心 (Zhongguan Cun (Haidan) Science Park, Digital Park District Administrative Service Center)), and registration by the Beijing Municipal People's Government (北京市人民政府) and Beijing Municipal Administration of Industry and Commerce (北京市工商行政管理局) of the transfer of the Equity Interest from the Vendor to the Chinasoft HK.

If the conditions (all of which cannot be waived) have not been fulfilled on or before 30 November 2004 or such later date as the Vendor and Chinasoft HK may agree, the Agreement shall lapse and be terminated and thereafter all rights, obligations and liabilities of all parties herein shall cease and terminate except for antecedent breach.

For the condition (c) above, the Company has been informed by the Vendor that the transfer of the Equity Interest to the Vendor has been approved by the original examination and approval authority of Beijing Chinasoft and the documents relevant to such transfer are available for inspection. The Company has instructed its PRC legal advisers to review those documents to confirm that the transfer of the Equity Interest from CS&S to the Vendor has been completed and is in compliance with the relevant PRC legal procedures. If the condition (c) above is not fulfilled, the Agreement shall lapse and be terminated.

The condition on confirmation of the completion of the transfer of the Equity Interests from CS&S to the Vendor will be fulfilled after the Directors are satisfied the title to 15% of the registered capital of Beijing Chinasoft has been properly vested in the Vendor.

Completion

Subject to the conditions of the Agreement having been fulfilled, Completion will take place within 14 days from the date on which all the conditions of the Agreement have been fulfilled.

Upon Completion, Beijing Chinasoft will become a wholly-owned subsidiary of the Company.

Shareholding structure before and after the Acquisition

The shareholding structure of the Company can be summarized as follows:

	Before the Acquisition		After the Acquisition	
	Shares	*approximate %*	*Shares*	*approximate %*
Far East Technology International Limited	176,889,822	27.64	176,889,822	25.36
Castle Logistics Limited	127,597,062	19.94	127,597,062	18.29
Authorative Industries Limited	57,485,834	8.98	57,485,834	8.24
ITG Venture Capital Limited	46,942,288	7.33	46,942,288	6.73
Prosperity International Investment Corporation	39,790,136	6.22	39,790,136	5.70
The Vendor	–	–	57,500,000	8.24
Public	191,294,858	29.89	191,294,858	27.39
Total	640,000,000	100.00	697,500,000	100.00

Non-Disposal Undertaking

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

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

CS&S(HK) is owned as to 95.71% by CS&S and as to 4.29% by an independent third party not connected with the directors, chief executive, substantial shareholders or management shareholders of the Company or any of its subsidiaries or an associate of any of them. CS&S(HK) is a 15% joint venture partner in Bejing Chinasoft which is the principal operating subsidiary of the Company.

Beijing Chinasoft is owned as to 85% by the Group and 15% by CS&S(HK). By virtue of CS&S(HK) being a connected person of the Company at the subsidiary level, the Agreement entered into between the Chinasoft HK and CS&S(HK) constitutes a connected transaction under the GEM Listing Rules and thus is subject to approval by the independent Shareholders.

Information on Beijing Chinasoft

The Group is principally engaged in the provision of e-government solution, IT consulting and training services; and IT outsourcing services through its principal operating subsidiary Beijing Chinasoft.

Beijing Chinasoft was a sino-foreign equity joint venture established in the PRC on 25 April 2000, which was owned as to 85% by the Group and 15% by CS&S. CS&S paid its contribution to 15% of the registered capital of Beijing Chinasoft in the amount of RMB7.5 million in November 2001. In March 2004, as part of a group reorganization of CS&S, CS&S transferred its 15% equity interest in Beijing Chinasoft to the Vendor. Subsequent to such transfer, the status of Beijing Chinasoft changed into that of a wholly foreign-owned enterprise.

Based on the audited accounts of Beijing Chinasoft for the year ended 31 December 2003 (as adjusted to HK GAAP), the audited net tangible asset value of Beijing Chinasoft as at 31 December 2003 was approximately RMB94.6 million. For the year ended 31 December 2002, both of the audited net profit before and after tax of Beijing Chinasoft (as adjusted to HK GAAP) were approximately RMB23.00 million. For the year ended 31 December 2003, the audited net profit before and after tax of Beijing Chinasoft (as adjusted to HK GAAP) were approximately RMB30.13 million and RMB27.4 million respectively.

Based on the unaudited management accounts of Beijing Chinasoft, the unaudited net tangible asset value of Beijing Chinasoft as at 31 March 2004 (as adjusted to HK GAAP) was approximately RMB102.3 million. For the three months ended 31 March 2004, the unaudited net profit before and after tax of Beijing Chinasoft (as adjusted to HK GAAP) were approximately RMB8.25 million and RMB7.7 million respectively.

Reasons for the Acquisition

With reference to the business prospects and historical performance of Beijing Chinasoft, the Directors consider that the Acquisition would maximise the earning base of the Group in the long run. Prior to the Completion, Chinasoft HK has an effective 85% equity interest in Beijing Chinasoft, and Chinasoft HK will have a 100% fully control of Beijing Chinasoft upon Completion. With such controlling equity interest in Beijing Chinasoft, Chinasoft HK will be entitled to control its board of directors and thereby will have full control of the day-to-day management and operation of Beijing Chinasoft. Furthermore, the Board also consider that, with a moderate dilution effect as shown under the section headed 'Shareholding structure before and after the Acquisition' above, the funding of the Acquisition by way of allotment and issue of the Consideration Shares represents an appropriate means for the Company without having to deplete the working capital of the Group and is, therefore, in the best interests of the Company and the Shareholders as a whole.

Implications on the Financial Accounts of the Company

Prior to the Acquisition, as the Company already held a 85% interest in the registered capital of Beijing Chinasoft, the net financial results of Beijing Chinasoft (including earnings, assets and liabilities) have been consolidated into and reflected in the financial results of the Company. Following the Acquisition, the entire financial results of Beijing Chinasoft will be consolidated into the financial results of the Company.

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

EGM

Set out on pages 34 and 35 in this circular is a notice convening the EGM to be held at 3:00 p.m. on 3 August 2004 at 27th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong at which an ordinary resolution will be proposed to approve the Acquisition and the issue of the Consideration Shares pursuant to the Agreement. As there are no Shareholders materially interested in the Acquisition or the Agreement, none of the Shareholders will be required to abstain from voting on the resolution to be proposed at the EGM.

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

PROCEDURE FOR DEMANDING A POLL

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

(a) by the chairman of such meeting; or

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

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

(d) by any Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

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

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

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of SBI E2-Capital, considers that the terms of the Acquisition are fair and reasonable so far as the Shareholders as a whole are concerned. Accordingly, the Independent Board Committee recommends the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM approving the Acquisition and the issue of the Consideration Shares pursuant to the Agreement. The full texts of the letter from the Independent Board Committee and the letter from SBI E2-Capital are set out on pages 11 and pages 12 to 24 of this circular respectively.

GENERAL

You are advised to read carefully the letter from the Independent Board Committee (which contains its recommendation to the Shareholders as to voting at the EGM) on page 11, the letter from SBI E2-Capital (which contains its advice to the Independent Board Committee and the Shareholders in relation to the Acquisition and the principal factors and reasons it considered in arriving at its opinion) on pages 12 to 24 and other information as set out in this circular. In addition, your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
for and on behalf of
Chinasoft International Limited
Chen Yuhong
Director

中软国际

CHINASOFT INTERNATIONAL LIMITED
中軟國際有限公司*

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

To the Shareholders 16 July 2004

Dear Sir or Madam,

As the Independent Board Committee, we have been appointed to advise you in connection with the Acquisition, details of which are set out in the letter from the Board contained in the circular of the Company dated 16 July 2004 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

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

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

Having considered the terms of the Acquisition and the advice of SBI E2-Capital in relation thereto as set out on pages 12 to 24 of the Circular, we are of the opinion that the terms of the Acquisition are fair and reasonable to the Company and the Shareholders as a whole. We therefore recommend that you vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition and the issue of the Consideration Shares pursuant to the Agreement.

Yours faithfully,
Independent Board Committee

Mr. He Ning **Mr. Zeng Zhijie**
Independent non-executive director

* *For identification purpose only*

The following is the text of a letter of advice from SBI E2-Capital to the Independent Board Committee and the Shareholders in connection with the fairness and reasonableness of the terms of the Acquisition, which has been prepared for incorporation into this circular.

SBI E2-Capital (HK) Limited
43/F, Jardine House
One Connaught Place
Central
Hong Kong

16 July 2004

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

To the shareholders of
Chinasoft International Limited

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION

Acquisition of 15% of the registered capital of Beijing Chinasoft International Information Tech. Ltd. ("Beijing Chinasoft")

INTRODUCTION

We refer to the announcement (the "**Announcement**") issued by Chinasoft International Limited (the "**Company**") dated 24 June 2004 in relation to the Company's proposed acquisition through Chinasoft International (Hong Kong) Limited ("**Chinasoft HK**"), a wholly owned subsidiary of the Company, of 15% of the registered capital of Beijing Chinasoft (the "**Acquisition**") by way of an allotment and issue of new Shares to China National Computer Software & Technology Service Corporation (Hong Kong) Limited (the "**Vendor**"). Details of, inter alia, the terms and conditions of the Acquisition are set out in a circular issued by the Company to its shareholders dated 16 July 2004 (the "**Circular**"), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context herein otherwise requires.

As referred to in the Letter from the Board as set out on pages 3 to 10 of the Circular, pursuant to the Agreement, Chinasoft HK conditionally agreed to acquire the Equity Interest from the Vendor which will be satisfied by the allotment and issue of 57,500,000 Consideration

Shares. Prior to completion of the Acquisition, Beijing Chinasoft is owned as to 85% by Chinasoft HK and 15% by the Vendor. Upon completion of the Acquisition, Beijing Chinasoft will become an indirect wholly-owned subsidiary of the Company. The Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules. As the Vendor is a connected person of the Company at the subsidiary level under the GEM Listing Rules, the Acquisition also constitutes a connected transaction of the Company under Rule 20.11(5) of the GEM Listing Rules and is subject to the independent Shareholders' approval at the EGM.

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

KEY ASSUMPTIONS MADE

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

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

As referred to in the Letter from the Board as set out on pages 3 to 10 of the Circular, none of the existing Shareholders has any material interest in the Acquisition as at the Latest Practicable Date. Therefore, no Shareholder is required to abstain from voting at the EGM and therefore all Shareholders are eligible to consider and, if thought fit, approve (inter alia) the Acquisition and the issuance of the Consideration Shares pursuant to the Agreement. Accordingly, in this letter of advice, we shall formulate our opinion and recommendation to the Independent Board Committee and to the Shareholders in relation to the Acquisition. In arriving at our opinion and recommendation to the Independent Board Committee and to the Shareholders in relation to the Acquisition, we have considered the principal factors and reasons set out below:

1. Reasons for the Acquisition

We noted that, as at the Latest Practicable Date, the Company wholly and beneficially owns Chinasoft HK, which in turn beneficially owns 85% of the issued share capital of Beijing Chinasoft. Beijing Chinasoft is a wholly-foreign owned enterprise whose registered capital is owned as to 85% by Chinasoft HK and as to 15% by the Vendor. The Vendor is in turn owned as to 95.71% by CS&S and as to 4.29% by an independent third party who is not connected with the directors, chief executive, substantial shareholders or management shareholders of the Company or any of its subsidiaries or any of their respective associates.

As referred to in the Letter from the Board as set out on pages 3 to 10 of the Circular, Chinasoft HK has conditionally agreed to acquire the Vendor's 15% registered capital of Beijing Chinasoft. Upon completion of the Acquisition, the Company will, through Chinasoft HK, wholly own the entire registered capital of Beijing Chinasoft.

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

As referred to in the Letter from the Board as set out on pages 3 to 10 of the Circular, (i) the audited net profit after tax of Beijing Chinasoft for the year ended 31 December 2002 (as adjusted to HK GAAP) was approximately RMB23.0 million (equivalent to approximately HK$21.6 million); (ii) the audited net profit after tax of Beijing Chinasoft for the year ended 31 December 2003 (as adjusted to HK GAAP) was approximately RMB27.4 million (equivalent to approximately HK$25.7 million); and (iii) the unaudited net profit after tax of Beijing Chinasoft for the three months ended 31 March 2004 (as adjusted to HK GAAP) was approximately RMB7.7 million (equivalent to approximately HK$7.2 million). Furthermore, (i) the audited net tangible asset value of Beijing Chinasoft as at 31 December 2003 (as adjusted to HK GAAP) was approximately RMB94.6 million (equivalent to approximately HK$88.8 million); and (ii) the unaudited net tangible asset value of Beijing Chinasoft as at 31 March 2004 (as adjusted to HK GAAP) was approximately RMB102.3 million (equivalent to approximately HK$96.1 million). Prior to the Acquisition, the Company has a 85% beneficial interest in Beijing Chinasoft as at the Latest Practicable Date, and therefore the Company only accounts for a 85% share of Beijing Chinasoft's earnings and net tangible assets as referred to above. Pursuant to the Acquisition, the Company will acquire the Equity Interest, as a result of which the Company will beneficially own 100% of Beijing Chinasoft. In this regard, we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole, based on the earnings and net tangible assets attributable to the Equity Interest, being the remaining 15% registered capital in Beijing Chinasoft, which will be acquired by the Company pursuant the Acquisition.

Based on our foregoing analysis, we consider that if Beijing Chinasoft continues to sustain a profitable business, the Acquisition would generate additional financial contributions to the Group's earnings. In this regard, we noted that as referred to above, Beijing Chinasoft reported audited earnings for the two financial years ended 31 December 2003 and unaudited earnings for the three months ended 31 March 2004, being the latest practicable date to which Beijing Chinasoft's unaudited management accounts were prepared. Therefore, we noted that Beijing Chinasoft has demonstrated a consistent earnings record since its establishment as a wholly foreign-owned enterprise when Beijing Chinasoft's registered capital was fully paid-up in November 2001, which may uphold our assumption above. Nevertheless, if Beijing Chinasoft were to record a net loss, the Group would then record 100% of Beijing Chinasoft's net loss following completion of the Acquisition, instead of 85% of Beijing Chinasoft's net loss under the current Group structure.

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

We noted that, as referred to in the Company's annual report and accounts for the year ended 31 December 2003, the Group, through its principal operating subsidiary Beijing Chinasoft, is a major developer and provider of e-government supporting platform application software in the PRC. This is enabled through the Group's "*ResourceOne*", which is a proprietary e-solutions software platform developed by Beijing Chinasoft that provides a spectrum of tailored-made applications to various industries and business sectors in the PRC. We were informed by the Directors that the applications provided under *ResourceOne* include the followings:–

(i) e-Audit solution, being the first e-solution initially approved by the State Planning Commission in the PRC. The e-Audit solution has resulted in the Group gaining a number of first-phase contracts including the audit office automation module and the specialized application module for audit management with a number of government bureaus and organizations in the PRC;

(ii) e-Park solution, which enables the Group to undertake construction, modern logistics as well as digitalization planning and design projects covering Guangzhou Economic Development Zone, Suzhou Industrial Park and Nansha Development Zone. Capitalizing on its expertise, the Group also provides e-Park solutions to customers from a number of other regional economic development and technology zones in the PRC;

(iii) e-Tobacco solution, which is installed in 36 major tobacco production enterprises and 36 major metropolitan business enterprises in the PRC. The e-Tobacco solution facilitates information dissemination, management, service and communication between (a) the State Tobacco Control Bureau in the PRC, who is responsible for the nationwide supervision of monopolized tobacco sales, the centralized management of tobacco production, supply and distribution as well as the domestic and export trading of tobacco products; and (b) the abovementioned 36 major tobacco production enterprises and 36 major metropolitan business enterprises supervised by the State Tobacco Control Bureau in the PRC;

(iv) e-Shield solution, which is designed for and used by public security bureaus in the PRC. The e-Shield solution facilitates information integration and distribution, and enables unified control and rapid response through an efficient operating system; and

(v) e-Social Security solution, which provides a software platform for members of the public to enquire about and apply for the national social insurance, insurance and medical services in the PRC.

As referred to in the Company's first quarterly report for the three months ended 31 March 2004, the Group has, through its principal operating subsidiary Beijing Chinasoft, secured contracts in the aggregate value of approximately RMB150 million (equivalent to approximately HK$141 million) as at 31 March 2004, which posted an increase of 200% when compared with the corresponding aggregate contract value of approximately RMB50 million (equivalent to approximately HK$47 million) as at 31 March 2003. We were informed by the Directors that according to a report issued in August 2003 by CCID Consulting Company Limited (賽迪顧問股份有限公司), a PRC-based research institute specializing in the IT sector, the Group has, through its principal operating subsidiary Beijing Chinasoft, maintained an approximately 15.7% market share of the e-government supporting platform application software sector in the PRC (in terms of revenue generated in that sector during the year 2002), and the Group ranks first (in terms of revenue) among the various developers and providers of e-government supporting platform application software products in the PRC during the year 2002. We were informed by the Directors that other than the abovementioned report, as at the Latest Practicable Date, no further updated report has been issued by CCID Consulting Company Limited in relation to league tables of developers and providers of e-government supporting platform application software products in the PRC. Furthermore, as the developer and provider of the *ResourceOne* e-solutions application software, Beijing Chinasoft also provides after sales training to its customers which therefore also secures a stable revenue stream for the Group. Beijing Chinasoft also owns the exclusive right to use the trademark, which is a widely-recognized IT solutions software trademark in the PRC, until May 2027.

We have also reviewed the market survey report entitled "2004 China Software Industry" which was issued by the China Software Industry Association (中國軟件行業協會) in April 2004. We noted that the aggregate sales of IT hardware, solutions software and related services in the PRC e-government solutions sector amounted to approximately RMB350 billion (equivalent to approximately HK$329 billion) during 2003, of which approximately RMB45 billion (equivalent to approximately HK$42 billion), or representing about 12.8%, was attributable to sales of e-government solutions software. According to the report, sales of e-government solutions software is expected to increase to around 16% of the total sales of IT hardware, solutions software and related services in the PRC e-government solutions sector by the year 2005. Based on the aggregate sales level of approximately RMB350 million in the PRC e-government sector in 2003 as referred to above, this would mean an estimated increase in the sales of e-government solutions software by about RMB11 billion (equivalent to approximately HK$10 billion) leading to the year 2005. Furthermore, with the increasing use of domestically developed IT software products by PRC government authorities and bureaus as well as enterprises in the PRC, we consider that there exists significant demand and hence growth potential in the domestically developed PRC e-government solutions software market in the PRC, for reasons that the widespread deployment of domestically developed e-government solutions software products would facilitate and enhance administrative efficiencies for PRC government authorities and bureaus as well as the enterprises being regulated and/or supervised by them. In this regard, we are of the view that the Group is able to capitalize on Beijing Chinasoft's skills and expertise in developing and marketing e-government solutions software products, and to reap the benefits of the growth and development prospects being offered by the e-government solutions software market in the PRC as discussed above.

Therefore, we consider that based on the Group's existing market share (through its principal operating subsidiary, Beijing Chinasoft) in the PRC's e-solutions sector as well as the growth potentials of the e-solutions market in the PRC as discussed above, we consider that the Acquisition is in the interests of the Company and the Shareholders as a whole for reason that the Group is able to capitalize on Beijing Chinasoft's existing competitive advantages in the PRC's e-solutions market, and to benefit from future growth and development prospects arising therefrom.

From the perspective of the Company's control in Beijing Chinasoft

Upon completion of the Acquisition, the Company will, through Chinasoft HK, have 100% full control of Beijing Chinasoft. In this regard, we were informed by the Directors that the board of Beijing Chinasoft comprises four members as at the Latest Practicable Date, of whom three are represented by the Company and one is represented by the Vendor. It is expected that following completion of the Acquisition, the Company will enjoy the flexibility of having Beijing Chinasoft's board of directors to be fully represented by delegates from the Company, and thereby enhances the Company's control over the board and management of Beijing Chinasoft. Furthermore, we were also informed by the Directors that Mr Chen Yuhong, the Company's Managing Director, is also the managing director of Beijing Chinasoft as at the Latest Practicable Date and that such appointment is expected to continue notwithstanding completion of the Acquisition.

Overall

Based on our evaluation above, we are of the view that given (i) the earnings and net tangible assets attributable to the Equity Interest which will be acquired by the Company pursuant to the Acquisition, based on Beijing Chinasoft's historical financial statements for the two years ended 31 December 2003 and the three months ended 31 March 2004; (ii) the merits as well as the growth and development prospects of Beijing Chinasoft's business operations; and (iii) the enhancement in the Company's control over the board and management of Beijing Chinasoft, the Acquisition is in the interests of the Company and the Shareholders as a whole.

2. Consideration payable by the Company for the Acquisition

As referred to in the Letter from the Board as set out on pages 3 to 10 of the Circular, the Company shall allot and issue the Consideration Shares, being 57,500,000 new Shares in the capital of the Company, as consideration for the Acquisition.

We consider that the settlement of the consideration payable by the Company for the Acquisition, in form of an issue of the Consideration Shares, will not have any impact on the Group's cashflow position. Furthermore, given that the consideration payable by the Company for the Acquisition is not being financed by any external bank borrowings of the Group, we consider that there will not be any impact on the Group's existing gearing level or any additional burden on interest costs to be borne by the Group. Therefore, we are of the view that the settlement of the consideration payable by the Company for the Acquisition, in form of an issue of the Consideration Shares, is in the interests of the Company and the Shareholders as a whole.

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

We noted that, based on the closing Share price of HK$0.75 as at the Latest Practicable Date and an aggregate of 57,500,000 Consideration Shares to be issued under the Acquisition, the consideration payable by the Company for the Acquisition amounts to approximately HK$43.1 million.

As referred to in the Letter from the Board as set out on pages 3 to 10 of the Circular, based on Beijing Chinasoft's audited net profit after tax for the year ended 31 December 2003 (as adjusted to HK GAAP) of approximately RMB27.4 million (equivalent to approximately HK$25.7 million), Beijing Chinasoft's audited earnings attributable to the Equity Interest (which represents the Vendor's 15% attributable share of Beijing Chinasoft's registered capital) is approximately HK$3.9 million. The consideration of approximately HK$43.1 million represents a historical price/earnings multiple of approximately 11.1 times. Furthermore, based on Beijing Chinasoft's unaudited net tangible asset value as at 31 March 2004 (as adjusted to HK GAAP) of approximately RMB102.3 million (equivalent to approximately HK$96.1 million), Beijing Chinasoft's unaudited net tangible asset value attributable to the Equity Interest is approximately HK$14.4 million. The consideration of approximately HK$43.1 million represents a historical price/book ratio of approximately 3.0 times.

For the purpose of evaluating the price/earnings multiple and the price/book ratio as implied by the consideration payable by the Company for the Acquisition, and hence in evaluating whether or not the consideration payable by the Company for the Acquisition is determined on normal commercial terms, we have researched into a number of listed companies on the Stock Exchange which are engaged in the development and marketing of IT solutions software and related businesses (the "**Reference Companies**"). The relevant market statistics of the Reference Companies are set out below:–

Company	Principal business activities	Closing share price as at the Latest Practicable Date (A)	Last reported audited full year's earnings per share as at the Latest Practicable Date	(B)	Last reported net asset value per share as at the Latest Practicable Date	(C)	Historical price/ earnings multiple (A)/(B)	Historical price/ book ratio (A)/(C)
		HK$	*Rmb*	*HK$*	*Rmb*	*HK$*	*(times)*	*(times)*
Kingdee International Software Group Company Limited	Develops and sells enterprise management software, e-commerce application software and middleware software. Also provides solution consulting and technical support services	2.38	0.13	0.12	0.59	0.55	19.8	4.3
Beijing Beida Jade Bird Universal Sci-Tech Company Limited	Researches, develops, manufactures and markets embedded systems products. Also engaged in the provision of total solutions services through the application of its existing embedded system products	0.69	0.07	0.07	0.52	0.49	9.86	1.41
Shine Software (Holdings) Limited	Provides systems platforms, application software and technical support services for participants of Primary Clearing System and Secondary Clearing System in the PRC	0.24	0.002	0.002	0.12	0.11	120.0	2.2
Xteam Software International Limited	Development and marketing of the Chinese Linux operating system for various hardware appliances including servers and personal computers in the PRC. Also provides technical support and after-sales services to customers	0.13		n/a		0.042	n/a	3.1
Sjtu Sunway Software Industry Limited	Researches, develops and sells software products which comprise translation software, information security software, Internet application software and entertainment software targeting at enterprises and individual customers in the PRC	0.49		0.063		0.41	7.8	1.2

Company	Principal business activities	Closing share price as at the Latest Practicable Date (A)		Last reported audited full year's earnings per share as at the Latest Practicable Date (B)		Last reported net asset value per share as at the Latest Practicable Date (C)	Historical price/ earnings multiple (A)/(B)	Historical price/ book ratio (A)/(C)
		HK$	*Rmb*	*HK$*	*Rmb*	*HK$*	*(times)*	*(times)*
Jiangsu Nandasoft Company Limited	Develops, manufactures and markets network systems software, Internet application software, educational software and business application software. Also provides systems integration services	0.45	0.013	0.012	0.20	0.19	37.5	2.4
Shanghai Jiaoda Withub Information Industrial Company Limited	Researches and develops network security systems and provides business application solutions	0.31	0.004	0.004	0.26	0.24	77.5	1.3
Sinocom Software Group Limited	Provision of outsourcing software development services to customers in the information technology sector in Japan. Also provides technical support services to customers of Sun Microsystems	1.79		0.17		0.59	10.5	3.0
Travelsky Technology Limited	Provision of information technology solutions for air travel, air cargo systems, civil aviation and tourism industries in the PRC	5.15	0.27	0.254	3.24	3.04	20.3	1.7
Simple average							**37.9**	**2.3**
Beijing Chinasoft	**Major developer and provider of e-government supporting platform application software in the PRC**	**43.1** *(Note 1)*		**3.90** *(Note 2)*		**14.40** *(Note 3)*	**11.1**	**3.0**

Notes :

1. *Being the consideration payable by the Company in respect of the Equity Interest pursuant to the Acquisition.*

2. *Being Beijing Chinasoft's audited earnings for the year ended 31 December 2003 attributable to the Equity Interest under the Acquisition.*

3. *Being Beijing Chinasoft's unaudited net tangible asset value as at 31 March 2004 attributable to the Equity Interest under the Acquisition.*

n/a Loss-making for the latest reported financial year

Based on the foregoing statistics, we noted that the historical price/earnings multiple of approximately 11.1 times as implied by the consideration payable by the Company for the Acquisition is lower than the corresponding average historical price/earnings multiple (based on closing share prices of the Reference Companies as at the Latest Practicable Date) of approximately 37.9 times as demonstrated by the Reference Companies, by about 71%. Nevertheless, we noted that the historical price/book ratio of approximately 3.0 times as implied by the consideration payable by the Company for the Acquisition is higher than the corresponding average historical price/book ratio (based on closing share prices of the Reference Companies as at the Latest Practicable Date) of approximately 2.3 times as demonstrated by the Reference Companies, by about 30%. In this regard, we noted from our discussions with the Directors that Beijing Chinasoft is a major developer and provider of e-government supporting platform application software in the PRC and that its proprietary solutions software platform, *"ResourceOne"*, is widely applicable to a number of PRC government authorities and bureaus spanning a cross section of industries and sectors as well as enterprises in the PRC being regulated and/or supervised by them. As discussed in the paragraph headed "Reasons for the Acquisition" above, during the year 2002, the Group, through Beijing Chinasoft, ranks first (in terms of revenue) among the various developers and providers of e-government supporting platform application software products in the PRC, with an approximately 15.7% market share of the e-government supporting platform application software sector in the PRC. There also exists good growth prospects for Beijing Chinasoft's business, given the expected increase in the proportion of sales of e-government solutions software products within the PRC's IT sector from about 12.8% in 2003 to around 16% by 2005, according to the recent survey and statistics released by the China Software Industry Association in April 2004. Therefore, we consider that Beijing Chinasoft is able to capitalize on its skills and expertise in the e-government solutions software market in the PRC, and to reap the benefits of future growth prospects arising therefrom.

By contrast, the Reference Companies are predominantly engaged in the development and marketing of IT solutions software to commercial enterprises, which are not directly targeted to PRC government authorities and bureaus as well as the enterprises being regulated and/or supervised by them. Therefore, the Reference Companies operate under a different business model from that of Beijing Chinasoft, and do not enjoy a similar degree of market penetration, market share and client portfolio in the PRC's e-solutions sector as in the case of Beijing Chinasoft. Accordingly, we consider that Beijing Chinasoft's unique business model offers it with competitive advantages, which justifies a premium in its business valuation (and hence a premium in its price/book ratio) when compared with the generality of IT solutions software developers and providers, such as the Reference Companies. Therefore, based on the foregoing, we are of the view that the consideration payable by the Company for the Acquisition is determined on a fair and reasonable basis and on normal commercial terms.

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

As referred to in the Letter from the Board as set out on pages 3 to 10 of the Circular, the Consideration Shares represent (i) approximately 8.98% of the Company's existing issued share capital; or (ii) approximately 8.24% of the Company's resultant issued share capital as enlarged by the issue of the Consideration Shares upon completion of the Acquisition.

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

	% beneficial shareholding before the Acquisition (= A)	**% beneficial shareholding after the Acquisition** (= B)	**% dilution** (=(A-B)/A *100)
Far East Technology International Limited	27.64%	25.36%	8.2%
Castle Logistics Limited	19.94%	18.29%	8.3%
Authoritative Industries Limited	8.98%	8.24%	8.2%
ITG Venture Capital Limited	7.33%	6.73%	8.2%
Prosperity International Investment Corporation	6.22%	5.70%	8.4%
Public Shareholders	29.89%	27.39%	8.4%

Therefore, based on the foregoing, we noted that the beneficial shareholdings of the existing Shareholders would be diluted by between 8.2% and 8.4% upon completion of the Acquisition. However, in assessing the fairness and reasonableness of the Acquisition, we consider that it would be appropriate to evaluate the effects of the Acquisition on the Group's earnings and net tangible asset value.

In terms of earnings

Following completion of the Agreement, the Group will be able to account for the profit or loss of Beijing Chinasoft attributable to the Equity Interest, being 15% of Beijing Chinasoft's net profit or net loss after tax. Given our observation that Beijing Chinasoft has demonstrated a consistent earnings record since its establishment as a wholly foreign-owned enterprise in November 2001, we may uphold our assumption that the Acquisition would generate additional financial contributions to the Group's earnings if Beijing Chinasoft continues to sustain a profitable business. Accordingly, we consider that the Acquisition is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

In terms of net tangible assets

We noted that the Group reported audited net tangible assets of approximately RMB122.6 million (equivalent to approximately HK$115.1 million) as at 31 December 2003. Other than the payment of consideration by the Company which will be satisfied by the issuance of an aggregate of 57,500,000 Consideration Shares at the closing Share price on the date of completion of the Agreement, the Acquisition will not have any effect on the Group's net tangible assets upon completion of the Agreement. Accordingly, we consider that the Acquisition is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

5. Non-disposal undertaking of the Consideration Shares

As referred to in the Letter from the Board as set out on pages 3 to 10 of the Circular, the Vendor has undertaken and covenanted with the Company that it shall not, for a period of 12 months after date of completion of the Acquisition, sell, transfer, grant any option on or otherwise dispose of (or enter into any agreement to sell, transfer, grant any option on or otherwise dispose of), nor permit the registered holder to sell, transfer, grant any option on or otherwise dispose of (or enter into any agreement to sell, transfer, grant any option on or otherwise dispose of) any of its direct or indirect interest (as the case may be) in the Consideration Shares.

We consider that the abovementioned non-disposal undertaking by the Vendor in respect of the Consideration Shares is a fair and reasonable arrangement, for reason that during a period of 12 months after date of completion of the Acquisition, the Shareholders would not be exposed to any adverse impacts attributable to any irregular trading of the Shares in the market, and/or any downward pressure in the market prices of the Shares which may be caused solely by the Vendor's market disposal of a substantial number of Consideration Shares, or by the Vendor's market disposal of Consideration Shares in a disorderly manner. Therefore, we consider that the Vendor's non-disposal undertaking would offer protection to the Shareholders' investments in the Shares, and constitutes an arrangement which we consider to be fair and reasonable to the Shareholders.

RECOMMENDATIONS

Having considered the principal factors and reasons and the key assumptions adopted by us as referred to in our analysis and evaluation above, we are of the view that although it is not in the ordinary and usual course of business for the Company to contemplate the Acquisition, we noted the earnings and net tangible assets attributable to the Equity Interest which will be acquired by the Company pursuant to the Acquisition, based on Beijing Chinasoft's historical financial statements for the two years ended 31 December 2003 and the three months ended 31 March 2004. Furthermore, as a result of the Acquisition, the Company will acquire the remaining 15% registered capital in Beijing Chinasoft, and thereby enables the Group to consolidate its board and management control in Beijing Chinasoft which is essentially the Group's principal operating subsidiary and whose business operations demonstrate merits as well as growth and development prospects. Accordingly, we are of the view that the Acquisition is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Furthermore, we noted that in evaluating the consideration payable by the Company for the Acquisition, the historical price/earnings multiple of approximately 11.1 times as implied by the consideration payable by the Company for the Acquisition is lower than the corresponding average historical price/earnings multiple (based on closing share prices of the Reference Companies as at the Latest Practicable Date) of approximately 37.9 times as demonstrated by the Reference Companies, by about 71%. Nevertheless, we noted that the historical price/book ratio of approximately 3.0 times as implied by the consideration payable by the Company for the Acquisition is higher than the corresponding average historical price/book ratio (based on closing share prices of the Reference Companies as at the Latest Practicable Date) of approximately 2.3 times as demonstrated by the Reference Companies, by about 30%. In this regard, we consider that Beijing Chinasoft has a unique business model featuring a high degree of market penetration, a leading market share in the PRC e-solutions sector and an extensive client portfolio through its proprietary solutions software platform, *"ResourceOne"*, which is widely applicable to a number of PRC government authorities and bureaus spanning a cross section of industries and sectors as well as enterprises in the PRC being regulated and/or supervised by them. We consider that Beijing Chinasoft's unique business model offers it with competitive advantages, which justifies a premium in its business valuation (and hence a premium in its price/book ratio) when compared with the generality of IT solutions software developers and providers, such as the Reference Companies. Accordingly, we are of the view that the consideration payable by the Company for the Acquisition is determined on a fair and reasonable basis and on normal commercial terms.

Following completion of the Agreement, the Group will be able to account for the profit or loss of Beijing Chinasoft attributable to the Equity Interest. In this regard, we noted that Beijing Chinasoft has demonstrated a consistent earnings record since its establishment as a wholly foreign-owned enterprise when Beijing Chinasoft's registered capital was fully paid-up in November 2001, and therefore we may uphold our assumption that the Acquisition would generate additional financial contributions to the Group's earnings if Beijing Chinasoft continues to sustain a profitable business. On the other hand, except for the payment of consideration by the Company which will be satisfied by the issuance of an aggregate of 57,500,000 Consideration Shares at the closing Share price on the date of completion of the Agreement, the Acquisition will not have any effect on the Group's net tangible assets upon completion of the Agreement. Furthermore, we are of the view that the settlement of the consideration for the Acquisition, in form of an issuance of the Consideration Shares, will not have any impact on the Group's cashflow position or existing gearing level. Therefore, we consider that the issuance of the Consideration Shares in settlement for the Acquisition is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Based on the foregoing, we would therefore advise the Independent Board Committee to recommend the Shareholders to vote in favour of the Acquisition and the issuance of the Consideration Shares pursuant to the Agreement, by way of a poll at the EGM.

Yours faithfully,
For and on behalf of
SBI E2-CAPITAL (HK) LIMITED
Christopher Wong
Director

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

(a) the information contained in this circular is accurate and complete in all material respects and not misleading;

(b) there are no matters the omission of which would make any statement in this circular misleading; and

(c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

SHARE CAPITAL AND OPTIONS

Share capital

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

Authorised:		*HK$*
1,500,000,000	Shares	75,000,000
Issued and to be issued and fully paid:		
640,000,000	Shares as at the Latest Practicable Date	32,000,000
57,500,000	Consideration Shares to be issued pursuant to the Acquisition	2,875,000
697,500,000	Total issued Shares upon completion of the Acquisition	34,875,000

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

An application will be made to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

DIRECTORS' INTERESTS

As at the Latest Practicable Date, share options were granted by the Company to certain Directors pursuant to the Share Option Scheme of the Company with details as set out below:

Name of Directors	Exercise Price *(HK$)*	No. of share options outstanding as at the Latest Practicable Date	Percentage of total issued share capital	*Note*
Chen Yuhong	0.58	1,200,000	0.19%	*(1)*
	0.65	5,000,000	0.78%	*(2)*
Cui Hui	0.65	500,000	0.08%	*(2)*
Duncan Chiu	0.65	1,000,000	0.16%	*(2)*
Peng Jiang	0.58	800,000	0.13%	*(1)*
	0.65	3,000,000	0.47%	*(2)*

Notes:

(1) These share options were offered on 13th August, 2003 under the Share Option Scheme and accepted on 27th August, 2003. The options are exercisable for a period of ten years from the date of offer, subject to the following conditions:

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

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

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

Save as disclosed above, as at the Latest Practicable Date, 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 (within the meaning of Part XV of the SFO) which are 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 are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which are required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange as at 31 December 2003.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2003 (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 the Latest Practicable Date, none of the Directors were materially interested in any contract or arrangement subsisting at the date of this circular and which is significant in relation to the business of the Group.

SHARE OPTION SCHEME

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

Save as disclosed above, no option has been granted, exercised and lapsed pursuant to such Share Option Scheme as at the Latest Practicable Date.

SUBSTANTIAL SHAREHOLDERS

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

Long positions in Shares

Name	**Type of interest**	**Approximate number of Shares** *(million)*	**Approximate percentage of shareholding**
Far Fast Technology International Limited (“Far Fast”) *(Note 1)*	Registered and beneficial owner	176.89	27.64%
Chiu Te Ken Deacon *(Note 1)*	Corporate	176.89	27.64%
Castle Logistics Limited (“Castle Logistics”) *(Note 2)*	Registered and beneficial owner	127.60	19.94%
Authorative Industries Limited (“Authorative”) *(Note 3)*	Registered and beneficial owner	57.49	8.98%
Yue Qianming *(Note 3)*	Corporate	57.49	8.98%
ITG Venture Capital Limited (“ITG”) *(Note 4)*	Registered and beneficial owner	46.94	7.33%
Zhou Qi *(Note 4)*	Corporate	46.94	7.33%
Prosperity International Investment Corporation (“Prosperity”) *(Note 5)*	Registered and beneficial owner	39.79	6.22%
Joseph Tian Li *(Note 5)*	Corporate	39.79	6.22%
CS & S (HK) *(Note 6)*	Beneficial owner	57.50	8.98%
CS & S *(Note 7)*	Corporate	57.50	8.98%

Notes:

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

   Mr. Chiu Te Ken Deacon is taken to be interested in the Shares held by Far East, a company controlled by him.

2. Castle Logistics is beneficially owned by 10 shareholders of which 3 shareholders are Directors and 7 shareholders are senior management staff of the Group. Castle Logistics has appointed Dr. Chen Yuhong, Mr. Cui Hui and Mr. Peng Jiang as Directors and Mr. Xie Hua, Mr. Chen Yuqing, Dr. Tang Zhenming, Mr. Zhang Chongbin, Mr. Wang Hui, Mr. Chen Pei and Mr. Yu Yongxin as senior management of the Group. These 10 individuals became shareholders of Castle Logistics on 25 April 2000.

   Dr. Chen Yuhong and Mr. Cui Hui, both executive Directors, are directors of Castle Logistics.

   Castle Logistics is beneficially owned by the senior management of the Group as follows:

Name	**Entire issued share capital of Castle Logistics**
Mr. Cui Hui	18%
Dr. Chen Yuhong	18%
Mr. Xie Hua	18%
Mr. Chen Yuqing	8%
Dr. Tang Zhenming	8%
Mr. Zhang Chongbin	8%
Mr. Peng Jiang	5.5%
Mr. Wang Hui	5.5%
Mr. Chen Pei	5.5%
Mr. Yu Yongxin	5.5%

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

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

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

6. CS & S (HK) is taken to be interested in 57,500,000 Shares, being the Consideration Shares, which it will have the right to be allotted under the Agreement.

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

So far as was known to the Directors, as at the Latest Practicable Date, the following corporations were interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the following members of the Group and the amount of such person's interest was as follow:–

Name of member of the Group	Name of substantial shareholder	Amount of equity interest	Percentage of shareholding
Beijing Chinasoft	CS&S (HK)	Registered capital in the amount of RMB 7.5 million	15%
Beijing Chinasoft	CS&S *(Note)*	Registered capital in the amount of RMB 7.5 million	15%

Note:

Such interest is held through CS&S (HK), a company which is owned by CS&S as to 95.71%.

Save as disclosed above, as at the Latest Practicable Date, there was no person known to the Directors who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was or was expected to be, directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or had any options in respect of such capital.

Save as disclosed above, the Company had not been notified of any other interests representing 5% or more of the Company's issued share capital as at the Latest Practicable Date, or any substantial shareholders as recorded in the register required to be kept by the Company under section 336 of the SFO.

SPONSORS' INTERESTS

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

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

LITIGATION

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

DIRECTORS' SERVICE CONTRACTS

Each of the Directors (including the executive, non-executive and independent non-executive Directors) has entered into a service contract with the Company. Each service contract is for an initial term of 2 years from 20 June 2003, subject to the right of termination as stipulated in the relevant service contract. The basic annual salary of each of the Directors under the service contract is set out below:

Name of Director	Annual Salary *(RMB)*
Executive Directors	
Chen Yuhong	480,000
Cui Hui	120,000
Duncan Chiu	120,000
Peng Jiang	420,000
Non-executive Directors	
David Chiu	Nil
Liu Zheng	Nil
Chen Qiwei	Nil
Independent Non-executive Directors	
He Ning	64,000
Zeng Zhijie	64,000

Save as disclosed above, there are no existing or proposal service contracts with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

EXPERT

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

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

As at the Latest Practicable Date:–

(a) SBI E2-Capital (HK) Limited did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to or from any member of the Group since 31 December 2003 (the date to which the latest published audited consolidated accounts of the Company were made up) or proposed to be so acquired, disposed of or leased; and

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

CONSENT

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

DIRECTORS' INTEREST IN A COMPETING BUSINESS

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

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

NO MATERIAL ADVERSE CHANGE

Since 31st December, 2003, being the date to which the latest published audited accounts of the Company have been made up, the Directors are not aware of any material adverse change in the financial or trading position of the Group.

MISCELLANEOUS

(a) The Qualified Accountant and the Secretary of the Company is Mr. Fok Ming Fuk, HKSA, ACCA.

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

(c) The Company's Hong Kong branch share registrar and transfer office is Computershare Hong Kong Investor Services Limited, which is situated at Room 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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

(e) The Company established an audit committee on 2nd June, 2003 with written terms of reference in compliance with the requirements as set out in Rules 5.28 and 5.30 of the GEM Listing Rules. The primary duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee has three members comprising the two independent non-executive Directors, namely Mr. He Ning and Mr. Zeng Zhijie and a non-executive Director, Dr. Chen Qiwei.

Mr. He Ning (何寧), aged 44, was appointed on 2nd July 2002. Mr. He has been the chief executive officer of Beijing CCG Technology Co. Ltd. since September 2000. From January 1997 to August 2000, he was the vice president of the Beijing representative office of Merrill Lynch. Mr. He was the assistant officer of the China Stock Exchange Executive Council from July 1993 to December 1996. He also worked for Morgan Stanley as manager from May 1990 to June 1993. Mr. He obtained a master's degree in business administration from the University of Texas in 1984. Mr. He has over 10 years experience in investment banking, direct investment and venture business management in the PRC and the USA.

Mr. Zeng Zhijie (曾之杰), aged 35, was appointed on 21st April 2003. Mr. Zeng obtained a master's degree in business administration from Stanford University in June 2001, and is a vice president of Walden International, a global venture capital firm with an investment focus on the communications, electronics, software & IT services, semiconductors and life sciences/healthcare industries, since October 2001.

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

DOCUMENTS AVAILABLE FOR INSPECTION

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

(i) a copy of the Agreement;

(ii) the memorandum and articles of association of the Company;

(iii) the annual report of the Company for the year ended 31 December 2003;

(iv) the letter from SBI E2-Capital (HK) Limited to the Independent Board Committee and the Shareholders, the text of which is set out on pages 12 to 24 of this circular;

(v) the letter from the Independent Board Committee, the text of which is set out on page 11 of this circular;

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

(vii) this circular.

中软国际

CHINASOFT INTERNATIONAL LIMITED
中軟國際有限公司*

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

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Chinasoft International Limited will be held at 3:00 p.m. on 3 August 2004 at 27th Floor, Two Exchange Square, 8 Connaught Road, Central, Hong Kong for the purpose of considering and, if though fit, passing the following resolution, with or without amendment, as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT**

(a) the agreement for the acquisition of 15% of the equity interest of 北京中軟國際信息技術有限公司 (Beijing Chinasoft International Information Tech. Ltd.) (a copy of which has been produced at this meeting and marked as "Exhibit-A" and signed by the chairman of the meeting for the purpose of identification) between Chinasoft International (Hong Kong) Limited, a wholly-owned subsidiary of the Company, and China National Computer Software & Technology Service Corporation (Hong Kong) Limited dated 24 June, 2004 (the "Agreement") (details of which are set out in the circular of the Company dated 16 July 2004 to its shareholders) and all transactions contemplated thereby be and are hereby approved, confirmed and ratified;

(b) the issue by the Company of 57,500,000 new ordinary shares of HK$0.05 each in the capital of the Company to China National Computer Software & Technology Service Corporation (Hong Kong) Limited or as it may direct as the consideration for the acquisition of 15% of the equity interest of 北京中軟國際信息技術有限公司 (Beijing Chinasoft International Information Tech. Ltd.) pursuant to the Agreement be and is hereby approved; and

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

By order of the Board
Chinasoft International Limited
Chen Yuhong
Director

* *for identification purpose only*

Registered Office:
Century Yard, Cricket Square,
Hutchins Drive, P.O. Box 2681 GT,
George Town, Grand Cayman,
Cayman Islands,
British West Indies

Principal Place of Business in Hong Kong:
Units 4607-8, 46th Floor,
COSCO Tower,
No. 183 Queen's Road Central,
Hong Kong

Hong Kong, 16 July 2004

Notes:

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

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

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

(4) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited at the principal place of business of the Company in Hong Kong at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen's Road Central, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting.

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)

FORM OF PROXY FOR THE EXTRAORDINARY GENERAL MEETING TO BE HELD ON 3 AUGUST 2004 AT 3:00 P.M.

I/We [1] ____ of ____ being the registered holder(s) of [2] ____________________ shares (the "**Shares**") of HK$0.05 each in the capital of Chinasoft International Limited (the "**Company**"), HEREBY APPOINT THE CHAIRMAN OF THE MEETING [3], or ____ of ____ or failing him/her ____________________ of ____________________ as my/our proxy to attend and act for me/us and on my/our behalf at the extraordinary general meeting of the Company to be held at 27th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong, on Tuesday, 3 August 2004 at 3:00 p.m. (and at any adjournment thereof) (the "**Meeting**") for the purpose of considering and, if thought fit, passing the resolution as set out in the notice convening the Meeting and at the Meeting (or at any adjournment thereof) to vote for me/us and in my/our name(s) in respect of such resolution as hereunder indicated, and, if no such indication is given, as my/our proxy thinks fit. My/our proxy will also be entitled to vote on any matter properly put to the Meeting in such manner as he/she thinks fit.

ORDINARY RESOLUTION	FOR [4]	AGAINST [4]
To approve and confirm: (a) the agreement for the acquisition of 15% of the equity interest of 北京中軟國際信息技術有限公司 (Beijing Chinasoft International Information Tech. Ltd.) between Chinasoft International (Hong Kong) Limited and China National Computer Software & Technology Service Corporation (Hong Kong) Limited dated 24 June, 2004 (the "Agreement"); (b) the issue of 57,500,000 new shares by the Company as consideration pursuant to the Agreement; and (c) the authorisation to the directors of the Company to do all things to give effect to the Agreement.		

Signature [5] ______________________________

Date ______________________________

Notes:

1. Full name(s) and address(es) must be inserted in **BLOCK CAPITALS**. The names of all joint registered holders should be stated.
2. Please insert the number of Shares registered in your name(s) to which this proxy relates. If no number is inserted, this form of proxy will be deemed to relate to all Shares registered in your name(s).
3. If any proxy other than the Chairman of the Meeting is preferred, strike out "**THE CHAIRMAN OF THE MEETING**" and insert the name and address of the proxy desired in the space provided. If you are a holder of two or more Shares, you may appoint more than one proxy to attend and vote at the Meeting provided that if more than one proxy is so appointed, the appointment shall specify the number of Shares in respect of which each such proxy is so appointed. **IF NO NAME IS INSERTED, THE CHAIRMAN OF THE MEETING WILL ACT AS YOUR PROXY. ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALLED BY THE PERSON WHO SIGNS IT**.
4. **IMPORTANT**: If you wish to vote for a resolution, tick in the box marked "For". If you wish to vote against a resolution, tick in the box marked "Against". If no direction is given, your proxy may vote or abstain as he/she thinks fit. Your proxy will also be entitled to vote at his/her discretion on any resolution properly put to the Meeting other than those referred to in the notice convening the Meeting.
5. This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be either executed under its common seal or under the hand of an officer, attorney or other person duly authorised to sign the same.
6. In order to be valid, this form of proxy together with the power of attorney (if any) or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the principal place of business of the Company in Hong Kong at Units 4607-8, 46th Floor, COSCO Tower 183 Queen's Road, Central, Hong Kong, not less than 48 hours before the time appointed for holding of the Meeting or the adjourned Meeting (as the case may be).
7. In the case of joint registered holders of any Shares, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such Shares as if he/she was solely entitled thereto; but if more than one of such joint registered holders be present at the Meeting, either personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such Shares shall alone be entitled to vote in respect thereof to the exclusion of the votes of the other joint registered holders.
8. The proxy need not be a member of the Company but must attend the Meeting in person to represent you.
9. Completion and return of this form will not preclude you from attending and voting at the Meeting or the adjourned Meeting (as the case may be) if you so wish. If you attend and vote at the Meeting, the authority of your proxy shall be deemed to be revoked.

* *for identification purpose only*