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This announcement includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this announcement misleading.



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 on Main Board: 354

Stock code on GEM: 8216

**TRANSFER OF LISTING FROM THE GROWTH ENTERPRISE MARKET TO
THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

Financial adviser to the Company



On 10 November 2008, an application was made by the Company to the Stock Exchange for the transfer of listing from GEM to the Main Board. The Company has applied for the listing of, and permission to deal in, (i) 1,007,278,688 Shares in issue; (ii) 131,416,500 Shares which may fall to be issued pursuant to the exercise of the outstanding options which were granted under the Share Option Scheme; and (iii) 194,500,000 new Shares which may fall to be issued pursuant to the conversion rights attaching to the Series A Preferred Shares granted by the Company to Microsoft and IFC under the Subscription Agreement, on the Main Board by way of transfer of the listing from GEM to the Main Board. The approval has been granted by the Stock Exchange on 17 December 2008 for the Shares to be listed on the Main Board and delisted from GEM.

All pre-conditions for the Transfer as set out in the Listing Rules have been fulfilled in relation to the Company and its Shares.

The last day of dealings in the Shares on GEM is 24 December 2008. Dealings in the Shares on the Main Board (Stock code: 354) will commence at 9:30 a.m. on 29 December 2008.

TRANSFER OF THE LISTING OF THE SHARES FROM GEM TO THE MAIN BOARD

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All pre-conditions for the Transfer as set out in the Listing Rules have been fulfilled in relation to the Company and its Shares.

REASONS FOR THE TRANSFER

The Company has been listed on GEM since 20 June 2003. The Group is a developer and provider of e-government solutions and customised software products in the PRC, collectively known as “Solutions”, with governmental authorities and their respective IT service providers as its main target customers. In addition to the provision of Solutions as its core business, the Group also provides IT consulting and training services, IT outsourcing services and standalone software products.

The Directors believe that the listing of the Shares on the Main Board will help to enhance the profile of the Group and increase the trading liquidity of the Shares and recognitions by attracting larger institutional and retail investors. The Directors consider that the listing of the Shares on the Main Board will be beneficial to the future growth, financial flexibility and business development of the Company. No change in nature of business of the Group is contemplated by the Directors following the Transfer.

The Transfer will not involve any issue of new Shares by the Company.

DEALINGS IN THE SHARES ON THE MAIN BOARD

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from 20 June 2003, the date on which the Shares were listed on GEM. Subject to the continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS once dealings in the Shares on the Main Board commence, and that all activities under CCASS are subject to the General Rules of the CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM is 24 December 2008. Dealings in the Shares on the Main Board (Stock code: 354) will commence at 9:30 a.m. on 29 December 2008.

The Transfer will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and will not involve any transfer or exchange of the existing share certificates. No change will be made to the board lot size, trading currency and the share registrars of the Shares in connection with the Transfer. Shares will be traded under the new stock code 354 on the Main Board in board lots of 10,000 Shares each following the Transfer.

OUTSTANDING SHARE OPTIONS AND CONVERSION RIGHTS

Share Option Scheme

The Share Option Scheme was adopted on 2 June 2003 for the primary purpose of providing the people and the parties working for the interest of the Group with an opportunity to obtain equity interest in the Company, thus linking their interest with that of the Group and thereby providing them with an incentive to work better for the interest of the Group. Pursuant to the terms of the Share Option Scheme, the Share Option Scheme remains valid for a period of 10 years from 2 June 2003. The Share Option Scheme fully complies with the requirements under Chapter 17 of the Listing Rules and will remain effective upon the Transfer. The Board has passed resolutions to make certain consequential amendments to provisions in the Share Option Scheme as a result of the Transfer.

As at the date of this announcement, there were 131,416,500 outstanding share options already granted to option-holders under the Share Option Scheme, including (i) 5,242,500 share options granted on 13 August 2003 with exercise price of HK\$0.58 and expiry date of 12 August 2013, (ii) 29,534,000 share options granted on 13 May 2004 with exercise price of HK\$0.65 and expiry date of 12 May 2014, (iii) 14,850,000 share options granted on 30 March 2006 with exercise price of HK\$0.97 and expiry date of 29 March 2016, (iv) 30,650,000 share options granted on 10 April 2007 with exercise price of HK\$1.78 and expiry date of 9 April 2017, (v) 19,600,000 share options granted on 14 April 2008 with exercise price of HK\$1.37 and expiry date of 13 April 2011, (vi) 13,100,000 share options granted on 13 June 2008 with exercise price of HK\$1.212 and expiry date of 12 June 2011, (vii) 18,440,000 share options granted on 4 July 2008 with exercise price of HK\$1.144 and expiry date of 3 July 2011. All the outstanding 131,416,500 share options (pursuant to which an aggregate of 131,416,500 new Shares will be issued upon full exercise of such share options) previously granted but unexercised under the Share Option Scheme will remain valid and exercisable in accordance with their terms of issue.

Pursuant to the Share Option Scheme and the refreshment of mandate limit as approved by the Shareholders on 8 May 2008 on the maximum number of options that may be granted, the Company may grant additional options in respect of a total of 81,787,868 Shares during the rest of the term of the Share Option Scheme.

Subscription Agreement

On 26 September 2005, the Company, Beijing Chinasoft and Chinasoft Resources entered into the Subscription Agreement with Microsoft and IFC for the proposed issue of the Series A Preferred Shares by the Company to Microsoft and IFC. On 6 January 2006, the Group issued 97,250,000 Series A Preferred Shares to each of Microsoft and IFC with conversion right to convert the Series A Preferred Shares into 194,500,000 new Shares at a conversion price of HK\$0.80 per share at any time between the date of issue and up to the maturity date on the sixth anniversary of 6 January 2006 and without payment of any additional consideration. The initial conversion ratio is 1:1, which is subject to a weighted average adjustment (based on the number of the issued Series A Preferred Shares and the Ordinary Shares) in the event that the Company issues additional equity securities, or securities or debt convertible or exercisable into such securities, at a subscription price less than the initial conversion price. As at the date of this announcement, there had been no conversion or redemption of any Series A Preferred Shares by Microsoft and IFC since the date of issue.

The above outstanding share options and the Series A Preferred Shares are currently unlisted securities. The listing of the Shares underlying the share options granted or to be granted under the Share Option Scheme and the Series A Preferred Shares will be transferred from GEM to the Main Board in the same manner as the issued Shares.

Save for the outstanding options previously granted but unexercised under the Share Option Scheme and the Series A Preferred Shares issued under the Subscription Agreement, the Company has not issued any other options, warrants or similar rights or convertible equity securities which will be transferred to the Main Board.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Pursuant to Rule 9A.12 of the Listing Rules, the general mandates granted to the Directors to allot, issue and deal with Shares not exceeding 20% the then issued share capital of the Company (equivalent to 200,455,738 Shares), and repurchase Shares by the Shareholders on 8 May 2008 will continue to be valid and remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by its articles of association or any applicable laws of the Cayman Islands to be held; or
- (c) the revocation or variation of such authority by an ordinary resolution of Shareholders in general meeting.

COMPETING INTERESTS

As at the Latest Practicable Date, Dr. Cui Hui, a non-executive Director, was interested in approximately 1.34% of the issued share capital of CNSS, a substantial shareholder of the Company. Dr. Cui Hui also served as a director of CNSS. In addition, Mr. Su Zhenming, a non-executive Director, had been appointed as a director of CNSS since September 2006.

CNSS is principally engaged in (i) the provision of solutions, (ii) IT outsourcing services for the Japan market, (iii) importing and exporting of IT products and (iv) system integration of third-party hardware and software products.

The Group has been generating its turnover from (i) the provision of solutions, (ii) IT outsourcing services, (iii) IT consulting and training services, and (iv) sale of standalone software and hardware products.

Both the Group and CNSS have been providing solution services to the banking and financial services sector. CNSS has been providing solution services to only one particular customer (“CNSS Customer”) in the banking and financial services sector and did not provide any services to any customer other than such customer. CNSS does not have any intention to extend the services to other customers in the banking and financial services sector. On the other hand, the Group has started to provide solution services to the banking and financial services sector since September 2007 after it completed its acquisition of HGR in August 2007 and has never provided solution services to the CNSS Customer. Given the aforementioned, the Directors are of the view that CNSS does not compete with the Group in the solution business. In light of the clear segregation of customer base of HGR and CNSS, the Directors did not make any relevant disclosure in the paragraph headed “Competing interest” in the annual report of the Company for the year ended 31 December 2007. For the year ended 31 December 2007, the turnover generated by the Group from the provision of solution services to the banking and financial services sector represented less than 5% of the total turnover of the Group.

Although the Group is also engaged in the provision of IT outsourcing services as part of its business, the Directors are of the view that the IT outsourcing services business of CNSS does not compete with those of the Group currently because the existing client base of the Group is different from and not overlapping with that of CNSS at present. Furthermore, to the best knowledge of the Directors, the nature of services and the industry focus of the target customers of CNSS are not the same as those of the Group. The IT outsourcing services provided by CNSS mainly involve development of ancillary programmes for the supply chain management in fast-moving consumable industry in Japan. Regarding the IT outsourcing business of the Group, the customers are mainly originated from Europe, the United States of America and Japan whereas the operations are mainly taken place in either the PRC or Japan. To those customers located in Japan, the IT outsourcing services provided by the Group mainly consist of business processing outsourcing such as data processing and computer-aid design processing for customers and development of application software used by the media sector such as television broadcasting companies in Japan. For the year ended 31 December 2007, the turnover generated by the Group from the provision of IT outsourcing services to customers in Japan represented less than 5% of total turnover of the Group. Besides serving the existing clients, CNSS does not have any intention to further develop the IT outsourcing business.

To the best knowledge of the Directors, CNSS is not engaged in the provision of IT consulting and training services and sale of standalone software and hardware products and therefore does not compete with the Group in such aspect. The Directors will prominently disclose in the Company's annual reports any change in the information in respect of the competing business between CNSS and the Group pursuant to Rule 8.10(2)(c) of the Listing Rules.

Although CNSS (through its wholly-owned subsidiary) is the largest Shareholder, it is holding approximately 19.76% of the issued ordinary share capital of the Company and therefore is not a controlling shareholder of the Company. As at the Latest Practicable Date, the other Shareholders such as Far East Holdings International Limited, Greater Pacific Capital Partners, L.P., IFC and Microsoft were also holding an influential portion of voting rights in the Company; furthermore, an approximate 43.8% of the issued ordinary share capital of the Company is in public hands. Given the diversity of its shareholding, the Directors believe that the decision making of the Company is unlikely to be dominated by a single Shareholder like CNSS, which would prevent CNSS from taking any competitive actions that might prejudice the interest of the Group.

Both CNSS and the Group are engaged in the non-competing provision of solutions and IT outsourcing services ("Potential Competing Business") as disclosed above, which may be construed as businesses that may compete, either directly or indirectly, in the future. However, the Directors are of the view that given (i) CNSS does not have statutory control over the Company based on its shareholding in the Company as explained above, and does not control the majority composition of the Board; and (ii) CNSS is a company listed on the Shanghai Stock Exchange with separate management and shareholder base with the Company, the Directors consider that neither the Company nor CNSS is in a position to control whether to include or exclude any of the Potential Competing Business in or from the Group.

Save as disclosed herein, none of the Directors, management shareholders and controlling shareholders of the Company and their respective associates has an interest in a business which competes or may compete, either directly or indirectly, with the business of the Group pursuant to Rule 9A.09(10) of the Listing Rules.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection on the websites of the Company at www.icss.com.cn and the Stock Exchange at <http://www.hkexnews.hk>:

- (a) the memorandum and articles of association of the Company;
- (b) the interim report of the Group for the six months ended 30 June 2008;
- (c) the third quarterly report of the Group for the three months ended 30 September 2008;

- (d) the Directors' report and the annual report of the Group for the year ended 31 December 2007;
- (e) the circular of the Company dated 23 April 2007 for approving general mandates to issue and repurchase Shares, proposed refreshment of the Share Option Scheme mandate limit and re-election and election of Directors;
- (f) the circular of the Company dated 13 June 2007 with respect to a major transaction in relation to the proposed acquisition of HGR issued pursuant to Chapter 19 of the GEM Listing Rules;
- (g) the circular of the Company dated 6 December 2007 with respect to a discloseable transaction in relation to the acquisition of 100% interest in 日本創智株式會社 (Japan Powerise Co., Ltd.*);
- (h) the circular of the Company dated 14 April 2008 for approving general mandates to issue and repurchase Shares, proposed refreshment of the Share Option Scheme mandate limit and re-election and election of Directors; and
- (i) a copy of each of the announcements and other corporate communications made by the Company as required under the GEM Listing Rules and the Listing Rules.

DEFINITIONS

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

“Beijing Chinasoft”	Beijing Chinasoft International Information Technology Limited (北京中軟國際信息技術有限公司), a wholly-foreign owned enterprise established under the law of the PRC and a wholly-owned subsidiary of the Company
“Board”	the board of the Directors
“Business Day”	a day that is not a Saturday, Sunday or a public holiday in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Chinasoft Resources”	Chinasoft Resources Information Technology Services Limited (北京中軟資源信息科技服務有限公司), a wholly-foreign owned enterprise established under the law of the PRC and a 51% owned subsidiary of the Company

“CNSS”	Chinasoft National Software and Service Company Limited (中國軟件與技術服務股份有限公司), a substantial shareholder of the Company
“Company”	Chinasoft International Limited (中軟國際有限公司*), a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on GEM
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended from time to time
“Group”	the Company and its subsidiaries from time to time
“HGR”	Hinge Global Resources Inc., a 97.35% owned subsidiary of the Company established under the law of the Cayman Islands
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFC”	International Finance Corporation, an international organisation established by articles of agreement among its member countries
“IT”	information technology
“Latest Practicable Date”	16 December 2008, being the latest practicable date for ascertaining certain information in this announcement
“Listing Committee”	the listing committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time

“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which the stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“Microsoft”	Microsoft Corporation, a company incorporated in the State of Washington in the United States of America
“PRC”	People’s Republic of China which for the purpose of this announcement, shall not include Hong Kong, the Macau Special Administrative Region of the PRC or Taiwan
“Series A Preferred Shares”	the senior redeemable convertible preferred shares allotted and issued by the Company on 6 January 2006 to Microsoft and IFC, with par value of HK\$0.05 each, pursuant to the terms and conditions of the Subscription Agreement
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Share Option Scheme”	the share option scheme adopted by the Company pursuant to a resolution passed by the Shareholders on 2 June 2003
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 26 September 2005 entered into between the Company, Chinasoft Resources, Beijing Chinasoft, Microsoft and IFC, in relation to the proposed issue of the Series A Preferred Shares by the Company to Microsoft and IFC
“Transfer”	the transfer of listing of the Shares from GEM to the Main Board pursuant to the Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“%”

percentage

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

Hong Kong, 17 December 2008

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

Executive Directors:

Dr. CHEN Yuhong (*Managing Director*)

Dr. TANG Zhenming

Mr. WANG Hui

Non-executive Directors:

Mr. SU Zhenming (*Chairman*)

Dr. CUI Hui

Mr. Timothy CHEN Yung Cheng

Mr. Duncan CHIU

Mr. LIU Zheng

Independent Non-executive Directors:

Mr. XU Zeshan

Mr. ZENG Zhijie

Dr. LEUNG Wing Yin

This announcement, 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 Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkexnews.hk> and the Company’s own website at <http://www.icss.com.cn> for at least seven days from its date of publication.

* For identification purposes only