THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Chinasoft International Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

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: 354)

MAJOR TRANSACTION

ACQUISITION OF ALL EQUITY INTERESTS IN MMIM TECHNOLOGIES, INC

Financial Adviser to Chinasoft International Limited

東英 ORIENTAL PATRON

A notice convening the extraordinary general meeting (the "EGM") of Chinasoft International Limited (the "Company") to be held at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen's Road Central, Hong Kong at 4 p.m. on November 29, 2010 is contained in this circular. Whether or not you are able to attend such meeting, please complete and return the form of proxy enclosed herewith in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or 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, as soon as possible and in any event not less than 48 hours before the time appointed for the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof (as the case may be) if you so wish.

* *For identification purpose only*

November 12, 2010

CONTENTS

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

"Acquisition"	the proposed acquisition of the Offered Shares pursuant to the terms and conditions of the Share Purchase Agreement;
"Adjusted Fourth Installment Consideration"	to the extent applicable, the aggregate number of Shares, which shall equal (i) the product of US$18,200,000 (equivalent to approximately HK$141,960,000) *multiplied by* the Fourth Installment Adjustment Rate, *divided by* (ii) the Fourth Installment Company Per Share Price;
"Adjusted Net Income"	the Target Company's consolidated net income after tax for the period in question as set forth in the 2010 Audited Financial Statements, the 2011 Audited Financial Statements or the 2012 Audited Financial Statements, as the case may be, excluding, in any case, (i) all goodwill impairment charges or intangible amortization aroused by the Business Combination; (ii) stock option expense charges before the date of the First Closing, (iii) deferred tax charges before the date of the First Closing; (iv) non recurring profit and loss items, (v) overhead incurred by any Person other than a Target Group (i.e., there shall not be any overhead of the Target Company or any of its Subsidiaries (other than the Target Group) allocated to any company within the Target Group), and (vi) any increase in the net income after tax as a result of recording the advance from customers in the amount of RMB8,415,818 (equivalent to approximately HK$9,752,947) as of June 30, 2010 as turnover or revenue of the Target Company after June 30, 2010;
"Adjusted Third Installment Cash Consideration"	to the extent applicable, the product of US$9,100,000 (equivalent to approximately HK$70,980,000) *multiplied by* Third Installment Adjustment Rate;
"Adjusted Third Installment Share Consideration"	to the extent applicable, the aggregate number of Shares, which shall equal (i) the product of US$9,100,000 (equivalent to approximately HK$70,980,000) *multiplied by* the Third Installment Adjustment Rate, *divided by* (ii) the Third Installment Company Per Share Price;

"Aggregate Consideration"	to the extent applicable, the Initial Installment Cash Consideration, the Initial Installment Share Consideration, the Second Installment Cash Consideration (if any), the Second Installment Share Consideration (if any), the Third Installment Cash Consideration (if any) or the Adjusted Third Installment Cash Consideration (if any), the Third Installment Share Consideration (if any) or the Adjusted Third Installment Share Consideration (if any), and the Fourth Installment Consideration (if any) or the Adjusted Fourth Installment Consideration (if any);
"Aggregate Share Consideration"	to the extent applicable, the Initial Installment Share Consideration, the Second Installment Share Consideration (if any), the Third Installment Share Consideration (if any) or the Adjusted Third Installment Share Consideration (if any), and the Fourth Installment Consideration (if any) or the Adjusted Fourth Installment Consideration (if any);
"Ancillary Documents"	the Amended Articles, the Key Company Employee Employment Agreements, the Assignment Agreement, the Exclusive Intellectual Property Option Agreements and such other agreements, documents and instruments as executed, filed or otherwise prepared, exchanged or delivered in accordance with the Share Purchase Agreement;
"Associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors (including executive Directors, non-executive Directors and independent non-executive Directors);
"Business Combination"	the transactions contemplated under (i) the Common Share Purchase Agreement entered into as of January 19, 2009 by and among the Target Company, Interactive NewSky Limited, a company incorporated under the laws of the British Virgin Islands and a Selling Shareholder ("Interactive NewSky"), Beijing Interactive New Sky Limited and the other parties thereto; (ii) the Share Repurchase Agreement entered into as of April 21, 2010 by and between the Target Company and Interactive NewSky; and (iii) the Share Purchase Agreement entered into as of April 21, 2010 by and among the Target Company, Interactive NewSky and the other parties thereto, in each case, as amended and supplemented from time to time;
"Business Day(s)"	any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by law to be closed in the PRC or Hong Kong;

"Company"	Chinasoft International Limited, a company incorporated in Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
"Company Material Adverse Change"	any effect or change that is or would reasonably be expected to be materially adverse (i) to the business, assets, condition (financial or otherwise), operating results or operations of the Company and its Subsidiaries, taken as a whole, or (ii) to the ability of the Company to perform its obligations under the Share Purchase Agreement, except in each case, any effect or change arising from or relating to the following: (a) those generally affecting the industry in which the Group operates, (b) changes in law or applicable accounting regulations or principles, (c) changes in general economic or political conditions or the securities, credit or financial markets in general, (d) any hurricane, flood, tornado, earthquake or other natural disaster or any other force majeure event, (e) any epidemic, pandemic or similar event, (f) any hostilities, acts of war, sabotage, terrorism or military actions, or any escalation or worsening thereof, or (g) any work stoppage, strike, unrest or other disruption to business caused by employees or any labor union;
"Company Per Share Price"	with respect to the Initial Installment Share Consideration and the Second Installment Share Consideration, as the case may be, the lower of (i) HK$1.60 per share, as appropriately adjusted for any stock split, stock consolidation or like event; or (ii) the average closing price for Shares for the thirty (30) consecutive trading days preceding the date of execution of the Share Purchase Agreement, as appropriately adjusted for any stock split, stock consolidation or like event;
"Closing"	the First Closing, the Second Closing, the Third Closing or the Fourth Closing, as the context may require;
"Connected Person"	has the meaning ascribed to it under the Listing Rules;
"Consideration Shares"	the new Shares to be allotted and issued by the Company to the Selling Shareholders pursuant to the terms and conditions of the Share Purchase Agreement (i.e. the Initial Installment Share Consideration; and/or the Second Installment Share Consideration (if any); and/or the Third Installment Share Consideration (if any) or the Adjusted Third Installment Share Consideration (if any); and/or the Fourth Installment Consideration (if any) or the Adjusted Fourth Installment Consideration (if any), as the context may require);

"Date of Delivery"	the date of the delivery of the Shares to Long Bridge Limited (which shall be the date of the First Closing with respect to the Initial Installment Share Consideration; the date of the Second Closing with respect to the Second Installment Share Consideration (if any); the date of the Third Closing with respect to the Third Installment Share Consideration (if any) or the Adjusted Third Installment Share Consideration (if any), as the context may require; the date of the Fourth Closing with respect to the Fourth Installment Consideration (if any) or the Adjusted Fourth Installment Consideration (if any), as the context may require);
"Director(s)"	directors of the Company;
"EGM"	the extraordinary general meeting of the Company to be held at Units 4607-8, 46th Floor, Cosco Tower, No. 183 Queen's Road Central, Hong Kong at 4 p.m. on November 29, 2010;
"Enlarged Group"	the Group immediately after the completion of the Acquisition;
"First Closing"	Subject to the terms and conditions set forth in the Share Purchase Agreement, the closing of the transactions contemplated by the Share Purchase Agreement shall take place at the offices of Latham & Watkins, 41/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong on the date (or at such other place and on such other day and effective date as mutually agreed to by the parties to the Share Purchase Agreement thereof) as agreed by the Company and the Sellers' Representative as promptly as practicable but in any event within ten (10) Business Days following the date of the satisfaction or waiver of all of the conditions set forth in the Share Purchase Agreement (other than those that are only capable of being satisfied on or as of date of the First Closing, but subject to the satisfaction thereof at the First Closing);

"Fourth Closing"	Subject to the terms and conditions set forth in the Share Purchase Agreement, the closing of the transactions contemplated by the Share Purchase Agreement shall take place at the principal offices of the Company and on the date as specified by the Company in a notice to the Sellers' Representative duly signed and delivered by the Company as promptly as practicable following the delivery of the 2012 Audited Financial Statements to the Company (such Fourth Closing to take place within ten (10) Business Days following such delivery and in any event no later than April 30, 2013, unless the delivery of the 2012 Audited Financial Statements has been delayed due to a failure on the part of Key Management to timely furnish the auditors with the management accounts or timely facilitate the discussions among the auditors and the personnel of the Target Company required for the preparation thereof, in which case such payment shall be made within ten (10) Business Days of delivery of the 2012 Audited Financial Statements);
"Fourth Installment Adjustment Rate"	the quotient of (2012 Audited Annual Net Income – US$9,100,000) (equivalent to approximately HK$70,980,000)/ (US$11,830,000 – US$9,100,000) (equivalent to approximately HK$92,274,000 – HK$70,980,000);
"Fourth Installment Company Per Share Price"	with respect to the Fourth Installment Consideration or the Adjusted Fourth Installment Consideration, as the case may be, the average closing price for Shares for the thirty (30) consecutive trading days preceding the date of delivery of the 2012 Audited Financial Statements, as appropriately adjusted for any stock split, stock consolidation or like event;
"Fourth Installment Consideration"	to the extent applicable, the aggregate number of Shares, which shall equal (i) US$18,200,000 (equivalent to approximately HK$141,960,000), *divided by* (ii) the Fourth Installment Company Per Share Price;
"Group"	the Company and its Subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Initial Installment Cash Consideration"	US$22,750,000 (equivalent to approximately HK$177,450,000);

"Initial Installment Share Consideration"	the aggregate number of Shares, which shall equal (i) US$22,750,000 (equivalent to approximately HK$177,450,000), *divided by* (ii) the Company Per Share Price;
"Issue Price"	the price at which each Consideration Share will be issued which varies according to its respective Closing: (i) with respect to the Initial Installment Share Consideration and the Second Installment Share Consideration, as the case may be, the lower of (i) HK$1.60 per share, as appropriately adjusted for any stock split, stock consolidation or like event; or (ii) the average closing price for Shares for the thirty (30) consecutive trading days preceding the date of execution of the Share Purchase Agreement, as appropriately adjusted for any stock split, stock consolidation or like event; (ii) with respect to the Third Installment Share Consideration or the Adjusted Third Installment Share Consideration, as the case may be, the average closing price for Shares for the thirty (30) consecutive trading days preceding the date of delivery of the 2011 Audited Financial Statements, as appropriately adjusted for any stock split, stock consolidation or like event; and (iii) with respect to the Fourth Installment Consideration or the Adjusted Fourth Installment Consideration, as the case may be, the average closing price for Shares for the thirty (30) consecutive trading days preceding the date of delivery of the 2012 Audited Financial Statements, as appropriately adjusted for any stock split, stock consolidation or like event;
"Key Management"	Mr. Jiang Xiaohai and Mr. Liang Hui;
"Latest Practicable Date"	November 10, 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Loan and Security Agreement"	the Loan and Security Agreement dated as of July 24, 2009 by and between the Target Company and Mr. Mao Ying (who is one of the Target Company's Selling Shareholders and also served as a director on the board of the Target Company), as amended, modified or supplemented from time to time;

"Lock-up Agreement"	a lock-up agreement entered into between Long Bridge Limited and the Company in respect of the Shares issued as part of the Aggregate Consideration and executed simultaneously with the Share Purchase Agreement and become effective as of the First Closing;
"Offered Shares"	all of the outstanding Target Shares, including shares issuable upon conversion of Target Preferred Shares, but excluding shares issuable upon exercise of Target Options;
"Option Holders"	the holders of the Outstanding Options;
"Outstanding Options"	those Target Options that are outstanding and unexercised immediately prior to the First Closing. Immediately prior to the First Closing, each Outstanding Option shall be cashed out and cancelled, terminated and extinguished in exchange for the right of the holder thereof to receive his or her allocable portion of the Aggregate Consideration as set forth in the Share Purchase Agreement. Upon such cancellation and termination, the Outstanding Option shall represent only the right to receive the payments contemplated by the Share Purchase Agreement, and the holder thereof shall cease to have any other rights with respect thereto;
"Patent Assignment Agreement"	the agreement Mr. Jiang Xiaohai entered into with applicable company within the Target Group with respect to the transfer of all right, title and interest in and to the intellectual property covered under such agreement to the applicable company within the Target Group;
"Permitted Transferee"	each transferee in the following allowed transactions by the Company: (i) the transfer from Mr. Mao Ying of 1,000,000 Target Common Shares to Happy Sunflower Limited, a British Virgin Islands company wholly owned by Mr. Mao Ying; (ii) the transfer from Wiseking Venture Limited of 1,399,700 Target Common Shares to Long Bridge Limited; and (iii) the transfer from Interactive NewSky Limited of 2,807,119 Target Common Shares to a British Virgin Islands company wholly owned by Ms. Li Jie, such that immediately following such transfer Mr. Chen Bin shall own 100% of the issued and outstanding share capital in Interactive NewSky Limited.

	Provided that (A) such transfers occur prior to the First Closing; (B) adequate documentation therefor is provided to the Company to its satisfaction and that any such Permitted Transferee agrees in writing to be bound by the Share Purchase Agreement in place of the relevant transferor; and (C) such transferor shall remain liable for any breach by such Permitted Transferee of any provision thereunder;
"Person"	any individual, partnership, firm, company, corporation, association, trust, unincorporated organization, joint venture or other entity;
"PRC" or "China"	the People's Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan);
"PRC Opco A"	Beijing MMIM Info. Technology Co., Ltd., a limited liability company incorporated under the laws of the PRC;
"Previous Share Financing Agreements"	the Second Amended and Restated Investors' Rights Agreement dated as of December 13, 2007 by and among the Target Company and certain Selling Shareholders, the Third Amended and Restated Right of First Refusal and Co-Sale Agreement dated as of June 29, 2009 by and among the Target Company and certain Selling Shareholders, the Voting Agreement dated as of June 29, 2009 by and among the Target Company and certain Selling Shareholders, the Target Company Share Incentive Plan, each as amended, modified or supplemented from time to time;
"Released Shares"	as of any date, the number of Shares (disregarding any resulting fractional share) determined by multiplying the number of Shares by the following release ratio:

	Release Ratio
On the Date of Delivery:	0
On the six (6)-month anniversary of the Date of Delivery:	1

"RMB"	Renminbi, the lawful currency of the PRC;

"Second Closing"	Subject to the terms and conditions set forth in the Share Purchase Agreement, the closing of the transactions contemplated by the Share Purchase Agreement shall take place at the principal offices of the Company and on the date as specified by the Company in a notice to the Sellers' Representative duly signed and delivered by the Company as promptly as practicable following the delivery of the 2010 Audited Financial Statements to the Company (such Second Closing to take place within ten (10) Business Days following such delivery and in any event no later than April 30, 2011, unless the delivery of the 2010 Audited Financial Statements has been delayed due to a failure on the part of Key Management to timely furnish the auditors with the management accounts or timely facilitate the discussions among the auditors and the personnel of the Target Company required for the preparation thereof, in which case such payment shall be made within ten (10) Business Days of delivery of the 2010 Audited Financial Statements);
"Second Installment Cash Consideration"	US$4,550,000 (equivalent to approximately HK$35,490,000);
"Second Installment Share Consideration"	to the extent applicable, the aggregate number of Shares, which shall equal (i) US$4,550,000 (equivalent to approximately HK$35,490,000), *divided by* (ii) the Company Per Share Price;
"Seller Parties"	the Selling Shareholders and the Target Company;
"Sellers' Representative"	Mr. Jiang Xiaohai, the lawful attorney-in-fact and representative appointed by each of the Selling Shareholders (in any case other than Blue Run Ventures, L.P. and its affiliates and related or affiliated funds, IDG Technology Venture Investment III, L.P. and its affiliates and related or affiliated funds, Crosslink Ventures V, L.P., and its affiliates and related or affiliated funds) to do any and all things and to execute any and all documents and undertake other roles as set forth in the Share Purchase Agreement, but not representing the holders for the Outstanding Options;
"Selling Shareholders"	the Selling Shareholders listed on the Share Purchase Agreement, who collectively own all of the Offered Shares. In addition, to effect the cashout of each Outstanding Option, the holder of such Outstanding Option shall be treated for purposes of the allocation and payment of the Aggregate Consideration pursuant to the Share Purchase Agreement as a Selling Shareholder with respect to the number of Target Shares (in addition to any other Target Shares held by such Selling Shareholder) equal to the total number of Target Shares subject to such Outstanding Option immediately prior to the First Closing. "Selling Shareholder" means any of them;

"Separate Seller Party"	each of Blue Run Ventures, L.P. and its affiliates and related or affiliated funds, IDG Technology Venture Investment III, L.P. and its affiliates and related or affiliated funds, Crosslink Ventures V, L.P., and its affiliates and related or affiliated funds;
"Series A Preferred Share(s)"	the series A-1 redeemable convertible preferred share(s) of HK$0.05 each in the issued share capital of the Company;
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share(s)" or "Ordinary Share(s)"	the ordinary share(s), HK$0.05 par value per share, of the Company, quoted for trading on the Stock Exchange;
"Share Purchase Agreement"	the conditional Share Purchase Agreement dated September 22, 2010 entered into among the Company, the Target Company, the Selling Shareholders and the Sellers' Representative relating to the Acquisition, as amended, modified or supplemented from time to time;
"Shareholder(s)"	the holder(s) of Ordinary Shares and Series A Preferred Shares;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Subsidiaries"	with respect to any Person, any and all corporations, partnerships, companies and other entities with respect to which such Person, directly or indirectly, owns more than 50% of the securities having the power to elect members of the board of directors or similar body governing the affairs of such entity;
"Target Common Shares"	the common shares of the Target Company, each with a par value of US$0.000005 (equivalent to approximately HK$ 0.000039) per share as of the First Closing;
"Target Company"	MMIM Technologies, Inc, a company with limited liability organized under the laws of the Cayman Islands;
"Target Company Share Incentive Plan"	the Share Incentive Plan adopted by the shareholders of the Target Company on October 30, 2005, as amended, modified or supplemented from time to time;

"Target Group"	the Target Company, the Subsidiaries, and any variable interest entity controlled by and consolidated with the Target Company and any Person that is not a natural person and that is controlled by a company within the Target Group;
"Target Material Adverse Change"	any effect or change that is or would reasonably be expected to be materially adverse (i) to the business, assets, condition (financial or otherwise), operating results or operations of the Target Company and its Subsidiaries, taken as a whole, or (ii) to the ability of the Target Company to perform its obligations under the Share Purchase Agreement, except in each case, any effect or change arising from or relating to the following: (a) those generally affecting the industry in which the Target Group operates, (b) changes in law or applicable accounting regulations or principles, (c) changes in general economic or political conditions or the securities, credit or financial markets in general, (d) any hurricane, flood, tornado, earthquake or other natural disaster or any other force majeure event, (e) any epidemic, pandemic or similar event, (f) any hostilities, acts of war, sabotage, terrorism or military actions, or any escalation or worsening thereof, or (g) any work stoppage, strike, unrest or other disruption to business caused by employees or any labor union;
"Target Options"	the options granted to certain employees and consultants of the company within the Target Group by the Target Company to purchase up to 3,815,339 Target Common Shares pursuant to the Target Company Share Incentive Plan adopted by the shareholders of the Target Company on October 30, 2005;
"Target Preferred Shares"	the Series A, Series B and Series C redeemable convertible preferred shares of the Target Company, each with a par value of US$0.000005 (equivalent to approximately HK$0.000039) per share as of the First Closing;
"Target Shares"	all of the equity interests of the Target Company, including Target Common Shares, options, warrants and other equity interests;

"Third Closing"	Subject to the terms and conditions set forth in the Share Purchase Agreement, the closing of the transactions contemplated by the Share Purchase Agreement shall take place at the principal offices of the Company and on the date as specified by the Company in a notice to the Sellers' Representative duly signed and delivered by the Company as promptly as practicable following the delivery of the 2011 Audited Financial Statements to the Company (such Third Closing to take place within ten (10) Business Days following such delivery and in any event no later than April 30, 2012, unless the delivery of the 2011 Audited Financial Statements has been delayed due to a failure on the part of Key Management to timely furnish the auditors with the management accounts or timely facilitate the discussions among the auditors and the personnel of the Target Company required for the preparation thereof, in which case such payment shall be made within ten (10) Business Days of delivery of the 2011 Audited Financial Statements);
"Third Installment Adjustment Rate"	the quotient of (2011 Audited Annual Net Income – US$7,000,000) (equivalent to approximately HK$54,600,000)/ (US$9,100,000 – US$7,000,000) (equivalent to approximately HK$70,980,000 – HK$54,600,000);
"Third Installment Cash Consideration"	US$9,100,000 (equivalent to approximately HK$70,980,000);
"Third Installment Company Per Share Price"	with respect to the Third Installment Share Consideration or the Adjusted Third Installment Share Consideration, as the case may be, the average closing price for Shares for the thirty (30) consecutive trading days preceding the date of delivery of the 2011 Audited Financial Statements, as appropriately adjusted for any stock split, stock consolidation or like event;
"Third Installment Share Consideration"	to the extent applicable, the aggregate number of Shares, which shall equal (i) US$9,100,000 (equivalent to approximately HK$70,980,000), *divided by* (ii) the Third Installment Company Per Share Price;
"US$"	United States dollars, the lawful currency of the United States;
"WOFE"	Beijing MMIM Interactive Technologies Co., Ltd., a limited liability company organized and existing under the laws of the PRC;
"2010 Audited Annual Net Income"	the Target Company's Adjusted Net Income prepared for the fiscal year ending December 31, 2010;

"2010 Audited Financial Statements"	the audited financial statements of the Target Company and its consolidated entities for the fiscal year ending December 31, 2010;
"2011 Audited Annual Net Income"	the Target Company's Adjusted Net Income prepared for the fiscal year ending December 31, 2011;
"2011 Audited Financial Statements"	the audited financial statements of the Target Company and its consolidated entities for the fiscal year ending December 31, 2011;
"2012 Audited Annual Net Income"	the Target Company's Adjusted Net Income prepared for the fiscal year ending December 31, 2012;
"2012 Audited Financial Statements"	the audited financial statements of the Target Company and its consolidated entities for the fiscal year ending December 31, 2012; and
"%"	percent.

For the purpose of illustration only, conversion of RMB into Hong Kong dollars in this circular is based on the exchange rate of RMB0.8629 to HK$1.00 and, conversion of US$ into Hong Kong dollars in this circular is based on the exchange rate of US$1.00 to HK$7.80. Such conversion should not be construed as a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate.

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: 354)

Executive Directors:
Dr. Chen Yuhong *(Managing Director)*
Dr. Tang Zhenming
Mr. Wang Hui

Non-Executive Directors:
Dr. Cui Hui *(Chairman)*
Mr. Duncan Chiu
Mr. Fang Jun
Mr. Liu Zheng
Dr. Zhang Yaqin

Independent Non-Executive Directors:
Mr. Xu Zeshan
Mr. Zeng Zhijie
Dr. Leung Wing Yin

Registered Office:
Cricket Square,
Hutchins Drive, P.O. Box 2681,
Grand Cayman, KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Unit 4607-8, 46th Floor,
COSCO Tower,
No. 183 Queen's Road Central,
Hong Kong

November 12, 2010

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

ACQUISITION OF ALL EQUITY INTERESTS IN MMIM TECHNOLOGIES, INC

INTRODUCTION

Reference is made to the announcement of the Company dated September 24, 2010 in relation to the Acquisition.

The purposes of this circular are to provide you with, among other things, further particulars of the Acquisition, financial information of the Target Group and a notice of the EGM.

* *For identification purpose only*

THE ACQUISITION

The Board announced that the Company, the Selling Shareholders, the Target Company and Mr. Jiang Xiaohai (as Sellers' Representative) entered into the Share Purchase Agreement on September 22, 2010, pursuant to which the Company conditionally agreed to acquire from the Selling Shareholders a 100% equity interest in the Target Company for an aggregate consideration of not more than US$91,000,000 (equivalent to approximately HK$709,800,000).

SHARE PURCHASE AGREEMENT DATED SEPTEMBER 22, 2010

Parties

(1) the Company as buyer;

(2) the Selling Shareholders as sellers;

(3) the Target Company; and

(4) Mr. Jiang Xiaohai, as Sellers' Representative

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquires, the Selling Shareholders, the Sellers' Representative and their respective ultimate beneficial owners are third parties independent of the Company and Connected Persons of the Company.

Assets to be acquired

The Offered Shares, representing a 100% equity interest in the Target Company, will be acquired by the Company at the date of First Closing.

Consideration

The Aggregate Consideration of not more than US$91,000,000 (equivalent to approximately HK$709,800,000) was determined after arm's length negotiation and taking into account a number of factors including:

(1) the historical financial performance of the Target Group, in particular, the compound annual growth rate of approximately 155.23% of the revenue of the Target Group from 2007 to 2009;

(2) the latest audited financial information of the Target Group of which the net profits after taxation for the year ended December 31, 2009 has been increased significantly as compared to the net profit after taxation for the year ended December 31, 2008; and

(3) the business prospects and benefits to be derived from the Acquisition as described below in this circular under the section headed "Reasons for and benefits of the Acquisition" in spite of the fact that the Target Group only started increasing profit from 2009.

Significant portion of asset of the Target Group comprises cash. The Company does not consider the significant portion of cash of the Target Group as a dominant factor in the determination of the Consideration, the business prospect of the Target Group and mobile internet industry is the main incentive consideration of the Company.

Among the Aggregate Consideration, a maximum of US$45,500,000 (equivalent to approximately HK$354,900,000) shall be payable according to the profit performance of the Target Group for the financial years 2010 to 2012.

In respect of the cash consideration payable by the Company, the minimum amount of cash consideration payable will be the Initial Installment Cash Consideration (which will not be subject to any profit performance of the Target Group) i.e. US$22,750,000 (equivalent to approximately HK$177,450,000), assuming that the 2010 Audited Annual Net Income, the 2011 Audited Annual Net Income and the 2012 Audited Annual Net Income will be lower than US$6,300,000, US$7,000,000 and US$9,100,000 respectively, and hence only the Initial Installment Cash Consideration will be paid. The maximum amount of cash consideration payable will be the sum of the Initial Installment Cash Consideration, the Second Installment Cash Consideration, the Third Installment Cash Consideration and US$25,162,579 (being the equivalent monetary value in cash of the issuance of any portion of the Aggregate Share Consideration will result in the Aggregate Share Consideration to be equal to or exceed the 30% Threshold), i.e. US$61,562,579 (equivalent to approximately HK$480,188,116), assuming that:

(i) the 2010 Audited Annual Net Income, the 2011 Audited Annual Net Income and the 2012 Audited Annual Net Income will be equal to or greater than US$6,300,000, US$9,100,000 and US$11,830,000 respectively; and

(ii) the Third installment Company Per Share Price and the Fourth Installment Company Per Share Price will be HK$0.05 (i.e. the nominal value of the Shares).

The Aggregate Consideration shall be satisfied by the Company as follows:

(i) provided that the 2010 Audited Annual Net Income will be equal to or greater than US$6,300,000 and the 2011 Audited Annual Net Income will be equal to or greater than US$9,100,000, the total sum of the Initial Installment Cash Consideration, the second Installment Cash Consideration and the Third Installment Cash Consideration, i.e. US$36,400,000 (equivalent to approximately HK$283,920,000) in cash (of which the Initial Installment Cash Consideration is funded by internal resources of the Company with subsequent installments to be paid based on the profit performance of the Target Group by debt financing of a proposed issue of convertible notes, (the "**Convertible Notes**") details of which are set out in the announcement and circular of the Company dated October 5, 2010 and November 1, 2010, respectively. In the event the proposed issue of Convertible Notes does not complete, the subsequent installments to be paid in the Second Closing, Third Closing and Fourth Closing will be funded by internal resources of the Company or other possible equity or debt financing); and

(ii) subject to the profit performance of the Target Group for the financial years 2010 to 2012 as described below, the balance of not more than US$54,600,000 (equivalent to approximately HK$425,880,000) by the issue and allotment of the Consideration Shares (and the equivalent monetary value in cash if the issuance of any portion of the Aggregate Share Consideration will result in the Aggregate Share Consideration to be equal to or exceed the 30% threshold) to the Selling Shareholders in the following manner:

(1) On the date of the First Closing and subject to the terms and conditions set forth in the Share Purchase Agreement, the Company shall:

(i) pay the Initial Installment Cash Consideration; and

(ii) issue and deliver the Initial Installment Share Consideration free and clear of all encumbrances, except in the case of Long Bridge Limited for encumbrances under the Lock-Up Agreement, in each case to the Selling Shareholders in the name of each Selling Shareholder (or its Permitted Transferee, as applicable) in accordance with the amounts set out in the Share Purchase Agreement.

(2) On the date of the Second Closing and subject to the terms and conditions set forth in the Share Purchase Agreement,

(i) if the 2010 Audited Annual Net Income is equal to or greater than US$6,300,000 (equivalent to approximately HK$49,140,000), the Company shall (a) pay the Second Installment Cash Consideration, and (b) issue and deliver the Second Installment Share Consideration free and clear of all encumbrances, except in the case of Long Bridge Limited for encumbrances under the Lock-Up Agreement, in each case to the Selling Shareholders in the name of each respective Selling Shareholders (or its Permitted Transferee, as applicable) in accordance with the amounts set out in the Share Purchase Agreement; or

(ii) if the 2010 Audited Annual Net Income is less than US$6,300,000 (equivalent to approximately HK$49,140,000), the Company shall have no responsibility for any payment with respect to the Second Closing.

(3) On the date of the Third Closing and subject to the terms and conditions set forth in the Share Purchase Agreement,

(i) if the 2011 Audited Annual Net Income is equal to or greater than US$9,100,000 (equivalent to approximately HK$70,980,000), the Company shall (a) pay the Third Installment Cash Consideration, and (b) issue and deliver the Third Installment Share Consideration free and clear of all encumbrances, except in the case of Long Bridge Limited for encumbrances under the Lock-Up Agreement, in each case to the Selling Shareholders in the name of each respective Selling Shareholders (or its Permitted Transferee, as applicable) in accordance with the amounts set out in the Share Purchase Agreement;

(ii) if the 2011 Audited Annual Net Income is equal to or greater than US$7,000,000 (equivalent to approximately HK$54,600,000) and less than US$9,100,000 (equivalent to approximately HK$70,980,000), the Company shall (a) pay the Adjusted Third Installment Cash Consideration, and (b) issue and deliver the Adjusted Third Installment Share Consideration free and clear of all encumbrances, except in the case of Long Bridge Limited for encumbrances under the Lock-Up Agreement, in each case to the Selling Shareholders in the name of each respective Selling Shareholders (or its Permitted Transferee, as applicable) in accordance with the applicable proportions set out in the Share Purchase Agreement; or

(iii) if the 2011 Audited Annual Net Income is less than US$7,000,000 (equivalent to approximately HK$54,600,000), the Company shall have no responsibility for any payment with respect to the Third Closing.

(4) On the date of the Fourth Closing and subject to the terms and conditions set forth in the Share Purchase Agreement,

(i) if the 2012 Audited Annual Net Income is equal to or greater than US$11,830,000 (equivalent to approximately HK$92,274,000), the Company shall issue and deliver the Fourth Installment Consideration free and clear of all encumbrances, except in the case of Long Bridge Limited for encumbrances under the Lock-Up Agreement, to the Selling Shareholders in the name of each respective Selling Shareholders (or its Permitted Transferee, as applicable) in accordance with the amounts set out in the Share Purchase Agreement;

(ii) if the 2012 Audited Annual Net Income is equal to or greater than US$9,100,000 (equivalent to approximately HK$70,980,000) and less than US$11,830,000 (equivalent to approximately HK$92,274,000), the Company shall issue and deliver the Adjusted Fourth Installment Consideration free and clear of all encumbrances, except in the case of Long Bridge Limited for encumbrances under the Lock-Up Agreement, to the Selling Shareholders in the name of each respective Selling Shareholders (or its Permitted Transferee, as applicable) in accordance with the applicable proportions set out in the Share Purchase Agreement; or

(iii) if the 2012 Audited Annual Net Income is less than US$9,100,000 (equivalent to approximately HK$70,980,000), the Company shall have no responsibility for any payment with respect to the Fourth Closing.

The maximum amount of the Aggregate Share Consideration that the Selling Shareholders will collectively receive pursuant to the Share Purchase Agreement shall be up to (but not equal to) thirty per cent (30%) of the total number of the Shares then-outstanding immediately following the issuance of such Aggregate Share Consideration (the "30% Threshold"). The 30% Threshold refers to the percentage of the Consideration Shares to be issued by the Company at each closing date over the total number of the Shares then-outstanding immediately following the issuance of such Consideration Shares at such closing. Any portion of the Aggregate Share Consideration, the issuance of which will result in the Aggregate Share Consideration to be equal to or exceed the 30% Threshold, shall be settled with the equivalent monetary value in cash. The amount of cash and the Shares to be delivered at the applicable Closing, if any, shall be adjusted accordingly.

There will not be any controlling shareholder who will be entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of the Company immediate before the date of the First Closing and immediate after the issue of the Consideration Shares and the proposed issue of Convertible Notes to fund the Acquisition. Therefore, the issue of the Consideration Shares and the proposed issue of Convertible Notes to fund the Acquisition will not result in any change of the control of the Company.

50% of the Aggregate Consideration paid dependent on the Target Group's profit performance in 2010, 2011 and 2012. By having such an arrangement, the Aggregate Consideration is linked with the future profit performance of the Target Group. The Aggregate Consideration shall be adjusted down if the Target Group's profit performance does not reach certain levels for the financial years 2010 to 2012 after the Acquisition.

The Directors believe that such arrangement would maintain the fairness and reasonableness of the Aggregate Consideration and is in the interests of the Company and the Shareholders as a whole.

Each Consideration Share will be issued at the Issue Price which is determined after arm's length negotiations between the parties to the Share Purchase Agreement. In particular, the issue price for the Initial Installment Share Consideration and the Second Installment Share Consideration (i.e. HK$1.60) is determined after arm's length negotiations between the parties to the Share Purchase Agreement based on the average closing price as quoted on the Stock Exchange for the last 2 months up to and including August 31, 2010, being the latest month end date to the Share Purchase Agreement which represents:

(1) a discount of approximately 23% to the closing price of HK$2.09 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(2) a discount of approximately 35% to the closing price of HK$2.45 per Share as quoted on the Stock Exchange on the last trading day of the Shares prior to the date of the Share Purchase Agreement;

(3) a discount of approximately 24% to the average closing price of approximately HK$2.11 per Share as quoted on the Stock Exchange for the last 10 trading days immediately prior to the date of the Share Purchase Agreement; and

(4) a discount of approximately 17% to the average closing price of approximately HK$1.92 per Share as quoted on the Stock Exchange for the last 30 trading days immediately prior to the date of the Share Purchase Agreement.

Although the issue price for the Initial Installment Share Consideration and the Second Installment Share Consideration (i.e. HK$1.6) represents a discount of approximately 35% to the closing price of the Shares as quoted on the Stock Exchange on the last trading day of the Shares prior to the date of the Share Purchase Agreement, it is noted that the Share price has recently surged from HK$1.85 per Share (the "Reference Price"), being the closing price as at 3 September 2010, the date immediately preceding the announcement regarding the discussion of a possible acquisition to HK$2.45 per Share (being the closing price prior to the date of the Share Purchase Agreement), which represents an increase of approximately 32.43%.

To eliminate the effects of any short term fluctuations in share prices on the trading pattern of the Shares on the Stock Exchange, the issue price for the Initial Installment Share Consideration and the Second Installment Share Consideration (i.e. HK$1.6) represents an approximately 14% discount to the Reference Price. Having considered the above and the issue price for the Initial Installment Share Consideration and the Second Installment Share Consideration is determined after arm's length negotiations between the parties to the Share Purchase Agreement based on the prevailing prices of Share during the principal negotiation period, i.e. the average closing price as quoted on the Stock Exchange for the last 2 months up to and including August 31, 2010, being the latest month end date to the Share Purchase Agreement, the Directors consider that a discount to the closing price of the Share on the last trading day of the Shares prior to the date of the Share Purchase Agreement is commercially justifiable and it is fair and reasonable so far as the Shareholders are concerned.

The Consideration Shares are to be issued under a special mandate to be approved by the Shareholders.

Applications will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Consideration Shares (which upon allotment, will rank pari passu with the existing Shares), schedule of which is as follows:

(i) prior to the First Closing – listing application for 110,906,250 Shares will be made;

(ii) prior to the Second Closing – listing application for 22,181,250 Shares will be made provided that the 2010 Audited Annual Net Income is equal to or greater than US$6,300,000 (equivalent to approximately HK$49,140,000);

(iii) prior to the Third Closing – listing application for Shares will be made as and when a definite amount of Shares can be determined; and

(iv) prior to the Fourth Closing – listing application for Shares will be made as and when a definite amount of Shares can be determined.

Conditions precedent

First Closing is conditional upon the fulfillment of the following conditions pursuant to the Share Purchase Agreement:

(1) the Company, unless waived in writing by the Sellers' Representative and each Separate Seller Party, satisfying, at or prior to the date of the First Closing, as applicable, each and every of the conditions to the obligations of the Seller Parties as set forth in the Share Purchase Agreement:

(i) the representations and warranties made by the Company in the Share Purchase Agreement being true and correct in all material respects as of the date of the First Closing as though such representations and warranties were made at such date (except that any representations and warranties that are made as of a specified date shall be true and correct in all material respects as of such specified date, and except that any representations and warranties that were qualified as to materiality or Company Material Adverse Change shall instead be true and correct in all respects);

(ii) the Company (a) having performed and complied in all material respects with all agreements and obligations required by the Share Purchase Agreement and the Ancillary Documents to be so performed or complied with by it prior to the date of the First Closing; and (b) having performed all corporate and other proceedings that are required to be performed in connection with the transactions contemplated by the Share Purchase Agreement and the Ancillary Documents at the First Closing; Sellers' Representative having received a copy of the Company's board resolutions and shareholders resolutions approving the transactions contemplated under the Share Purchase Agreement;

(iii) the Company having delivered to Sellers' Representative a certificate, dated as of the date of the First Closing and executed by an executive officer of the Company, certifying to the fulfillment of the conditions as specified in the Share Purchase Agreement;

(iv) there being no law or governmental order directing that the transactions provided for in the Share Purchase Agreement and in the Ancillary Documents not be consummated as provided in the Share Purchase Agreement or which has the effect of rendering it impossible to consummate such transactions at the date of the First Closing;

(v) there being no Company Material Adverse Change that is continuing as of the date of the First Closing since the date of the Share Purchase Agreement;

(vi) the Shareholders having approved and authorized the transaction contemplated under the Share Purchase Agreement and the Ancillary Documents to which the Company is a party;

(vii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the shares representing the Initial Installment Share Consideration; and

(viii) Selling Shareholders having received an opinion of Conyers, Dill and Pearman, counsel to the Company in the Cayman Islands, to cover matters that are of a legal nature, including (among other things) that the transaction was duly authorized by the Company as a matter of Cayman Islands law, that the shares to be issued to the Selling Shareholders will be duly authorized and validly issued as a matter of Cayman Islands law, etc.

(2) the Seller Parties, unless waived in writing by the Company, satisfying, at or prior to the date of the First Closing, as applicable, each and every of the conditions to the Company's obligations as set forth in the Share Purchase Agreement:

(i) the representations and warranties made by the Seller Parties in the Share Purchase Agreement being true and correct in all material respects as of the date of the First Closing as though such representations and warranties were made at such date (except that any representations and warranties that are made as of a specified date shall be true and correct in all material respects as of such specified date, and except that any representations and warranties that were qualified as to materiality or Target Material Adverse Change shall instead be true and correct in all respects);

(ii) the Seller Parties (a) having performed and complied in all material respects with all agreements and obligations required by the Share Purchase Agreement and the Ancillary Documents to be so performed or complied with by them prior to the date of the First Closing; and (b) having performed all corporate and other proceedings that are required to be performed in connection with the transactions contemplated by the Share Purchase Agreement and the Ancillary Documents at the First Closing; the Company having received a copy of the Target Company's board resolutions and shareholders resolutions approving the transactions contemplated under the Share Purchase Agreement;

(iii) the waivers of pre-emptive rights, right of first refusal, tag-along rights or other similar rights in connection with the transaction contemplated by the Share Purchase Agreement and the Ancillary Documents, having been obtained or otherwise satisfied and shall continue to be in effect;

(iv) there being no Target Material Adverse Change in respect of the Target Group that is continuing as of the date of the First Closing since the date of the Share Purchase Agreement;

(v) the Target Company having delivered to the Company a certificate, dated as of the date of the First Closing and executed by the chief executive officer or the chief financial officer of the Target Company, certifying to the fulfillment of the conditions as specified in the Share Purchase Agreement;

(vi) the Company having received a copy of the Target Company's register of members, certified by a director or the company secretary of the Target Company as true and complete as of the date of the First Closing, updated to show the Company as the sole holder of the Offered Shares as of the First Closing;

(vii) with respect to each company within the Target Group, its respective shareholders, directors and legal representative having prepared any and all necessary documents for the change of composition of its board of directors and for the amendment to its constitutional documents, each at or following the First Closing, in form and substance reasonably satisfactory to the Company;

(viii) immediately prior to the First Closing, the Target Preferred Shares having been fully converted into Target Common Shares and copies of the shareholder resolutions effecting such conversion having been delivered to the Company;

(ix) at least 70% of the key employees having entered into an employment agreement with the Target Company or any of its Subsidiaries, as the case may be, (collectively, "Key Company Employee Employment Agreements"), and each such agreement being in full force, and in effect from the date of the First Closing;

Details of the key employees:

No.	Job Title	Responsibility
1	Chief Executive Officer	Responsible for business decision-making, supervision of daily business operation, enterprise culture and management team construction
2	Chairman & Chief Technology Officer	Responsible for material business and technical direction decision-making, supervision of senior management and technical team construction
3	Vice President	Responsible for technical team building and management; in charge of product planning, innovation and research and development ("R&D")
4	Technical Director	Responsible for technical R&D, system architecture and team management
5	Technical Manager	Responsible for system maintenance and maintenance team management
6	Technical Manager	Responsible for technical testing and testing team management
7	Technical Manager	Responsible for technical R&D and product design
8	Technical Manager	Responsible for technical R&D and product design
9	Vice President	Responsible for business development, product planning, sales and management team building

No.	Job Title	Responsibility
10	Technical Director	Responsible for technical R&D, system architecture and team management
11	Production Director	Responsible for product planning and design, product operations, team management
12	Vice President	Responsible for business development, product planning, team building and management
13	Vice President	Responsible for business development, product planning, team building and management
14	Vice President	Responsible for technology and new product planning, business development and team management
15	Technical Director	Responsible for technology and product R&D and system architecture
16	Technical Director	Responsible for technology and product R&D and system architecture
17	Technical Manager	Responsible for technical R&D and product design
18	Vice President	Responsible for business development, product planning, team building and management
19	Financial Director	Responsible for finance department and team management
20	Human Resources Manager	Responsible for human resource & administration department and team management

(x) the Previous Share Financing Agreements having been irrevocably and unconditionally terminated in their entirety, which termination shall become effective as of the First Closing, and copies of the resolutions effecting such termination having been delivered to the Company;

(xi) the Company having received (a) an opinion of Conyers, Dill and Pearman, counsel to the Target Company in the Cayman Islands, to cover that the Target Company is in good standing, the Target Company has no action pending against it, the Target Company has taken all corporate actions required to authorise its execution, delivery and performance of the Share Purchase Agreement, etc.; and (b) an opinion of Global Law Office, counsel to the Target Group in the PRC, to cover that each company in the Target Group in the PRC has been duly established and is in good standing, has all necessary governmental authorizations of and from, and has made all declarations and filings with, all governmental agencies to conduct its business within the authorized scope of business as set out in its business license, has no action pending against it, has taken all corporate actions required to authorise its execution, delivery and performance of the Share Purchase Agreement, etc.;

(xii) the Shareholders having approved and authorized the transaction contemplated under the Share Purchase Agreement and the Ancillary Documents to which the Company is a party;

(xiii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the shares representing the Initial Installment Share Consideration;

(xiv) the Lock-Up Agreement executed by Long Bridge Limited remaining in full force, and in effect from the date of the First Closing;

(xv) at the date of the First Closing, there being in effect no law or governmental order directing that the transactions provided for in the Share Purchase Agreement not be consummated as provided in the Share Purchase Agreement or which has the effect of rendering it impossible to consummate such transactions;

(xvi) with respect to the patents set forth in the Share Purchase Agreement, (a) Mr. Jiang Xiaohai having entered into the Patent Assignment Agreement with applicable company within the Target Group with respect to the transfer of all right, title and interest in and to the intellectual property covered under such agreement to the applicable company within the Target Group (the "Assignment"), (b) all applications, registrations, or other filings with PRC governmental authorities necessary to cause the Assignment to become effective having been made in all respects, including those with the PRC State Intellectual Property Office, and evidence thereof having been delivered to the Company to its reasonable satisfaction; with respect to other intellectual property rights set forth in the Share Purchase Agreement, WOFE (WOFE is the subsidiary which is 100% owned by the Target Company) having entered into the Exclusive Intellectual Property Option Agreements with applicable companies within the Target Group with respect to the exclusive option to acquire such intellectual property rights from the applicable companies within the Target Group (The applicable companies need the related intellectual property to maintain its position as the qualified Hi-tech Enterprise. In the interest of the whole Target Group, the agreements between WOFE and the applicable companies are treated as an option agreement instead of any transfer agreement);

Details of the patents:

No.	Name of Invention	Inventor	Patent No.	Date of application for patent	Patent Owner	Announcement date for authorization
1	Realizing method for mobile instant messaging and applied services	Jiang Xiaohai	ZL200510126223.3	30 November 2005	Jiang Xiaohai	2 September 2009
2	A method for J2ME software to adapt to different mobile phone's Virtual-key	Jiang Xiaohai	ZL200710064611.2	21 March 2007	Jiang Xiaohai	10 June 2009
3	A realizing method for instant messaging interactive video	Jiang Xiaohai	ZL200710120853.9	28 August 2007	Jiang Xiaohai	20 January 2010
4	Mobile terminal business media method	Jiang Xiaohai	ZL200510002652.X	21 January 2005	PRC Opco A	14 January 2009
5	A method for controlling the data-flow in mobile instant messaging system	Jiang Xiaohai	ZL200510011536.4	7 April 2005	PRC Opco B	1 August 2007

Accounting treatment: the Target Group does not recognise any value for any of the patents set out above. The Target Group has not capitalized any R&D endeavor and outcome. All R&D expenditure is recognized as expenses in the statement of comprehensive income during the period in which they are incurred.

Patent validity period: all the patents set out above come under the type of specialized technology with a validity period of 20 years.

The reason for patents numbers 1 to 3 being owned by Mr. Jiang Xiaohai: as the Target Company's founder and chief technologist, Mr. Jiang is a major initiator for technological R&D of patented technology set out above.

The importance of patents towards the Target Group: PRC Opco A (北京掌中無限信息技術有限公司 Beijing MMIM Info. Technology Co., Ltd.) and PRC Opco B (北京靈息互動信息技術有限公司Beijing MMIM Palm Co., Ltd.) need to hold patents on their own behalf and therefore are qualified for the tax incentives as a Hi-tech company.

No consideration will be paid or received in the Patent Assignment Agreement as well as the Exclusive Intellectual Property Option Agreements.

Details of the intellectual property rights to be acquired by the WOFE: patent numbers 1, 2 and 3 set out in the table above will be acquired by the WOFE whereas WOFE has the exclusive option to acquire patent numbers 4 and 5.

The Target Group will need these patents for business operation, thus, the Company needs Mr. Jiang Xiaohai to transfer the current intellectual property and patents owned by him to the Target Group.

Signing of the Patent Assignment Agreement and the Exclusive Intellectual Property Option Agreements will help the Target Group to meet the customer's requirement more efficiently and provide a better service in the near future.

(xvii) the loan made pursuant to the Loan and Security Agreement having been repaid in full and the encumbrance granted under the Loan and Security Agreement having been released, and evidence thereof having been delivered to the Company to its reasonable satisfaction;

(xviii) PRC Opco A having entered into customary employment agreements with certain individuals mutually agreed by the Company and the Target Company; and

(xix) the Target Group not having taken such action, or paid or declared any dividends to the extent that the cash and cash equivalent as reflected on the consolidated balance sheet of the Target Company as of the date of the First Closing after giving effect to the declaration or payment of such dividends are less than US$5,000,000 (equivalent to approximately HK$39,000,000).

Note: it is the intention of the Company to satisfy the conditions set out in paragraphs (1)(vi) and (vii) above and not to waive the conditions set out in paragraphs (2)(xii) and (xiii) above.

None of the precedent conditions have been fulfilled as at the Latest Practicable Date.

Lock-up

Pursuant to the Share Purchase Agreement and the Lock-up Agreement, Long Bridge Limited agrees that it will not and will not consent or agree to, directly or indirectly, offer for sale, sell, tender, pledge, encumber, assign, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership with respect to, any of its Shares received pursuant to the Share Purchase Agreement during the period from the Date of Delivery to the 6-month anniversary of the Date of Delivery, other than Released Shares.

Notwithstanding the foregoing, the aforesaid restrictions on the actions shall not apply to (i) transfers of Shares as a bona fide gift with the consent of the Company; (ii) transfers of Shares to any trust, partnership, limited liability company or other entity for the direct or indirect benefit of Long Bridge Limited or the immediate family of Long Bridge Limited for bona fide estate planning purposes; (iii) transfers of Shares to any beneficiary of Long Bridge Limited pursuant to a will, trust instrument or other testamentary document or applicable laws of descent; (iv) transfers of Shares to the Company by way of repurchase or redemption; provided, that, in the case of any transfer pursuant to clause (i), (ii) or (iii) above, each donee, distributee or transferee shall sign and deliver to the Company, prior to such transfer, a lock-up agreement substantially in the form of the Lock-up Agreement.

Mr. Jiang Xiaohai is the chairman, chief technologist and also the founder of the Target Company. Mr. Jiang owns 14.25% of the Target Company's interest in total through Long Bridge Limited (11.40%) and Wiseking Venture Limited (2.85%). Mr. Jiang also is the sole beneficial owner of Long Bridge Limited and Wiseking Venture Limited. Mr. Jiang plays a very important role in the future development of the Target Group. Thus, the Group hopes Mr. Jiang can keep on serving the Target Group and the Group; therefore, the Group does the best endeavor to lock the most of interest of Mr. Jiang by entering into the Lock-up Agreement with Long Bridge Limited. Viewing from another side, many other Selling Shareholders of the Target Company are venture capitals, and have never participated in daily management and operations of the Target Group. As the Group considers these Selling Shareholders are not much related to the future operations of the Target Group, it did not enter into a share lock-up agreement with them.

First Closing

Subject to the terms and conditions set forth in the Share Purchase Agreement, the closing of the transactions contemplated by the Share Purchase Agreement shall take place at the offices of Latham & Watkins, 41/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong on the date (or at such other place and on such other day and effective date as mutually agreed to by the parties to the Share Purchase Agreement thereof) as agreed by the Company and the Sellers' Representative as promptly as practicable but in any event within ten (10) Business Days following the date of the satisfaction or waiver of all of the conditions set forth in the Share Purchase Agreement (other than those that are only capable of being satisfied on or as of date of the First Closing, but subject to the satisfaction thereof at the First Closing).

The Target Group will be consolidated in the Company's financial statements at the date of First Closing. Pursuant to the Share Purchase Agreement, the Company shall appoint a financial controller for the Target Company on or following the date of the First Closing, so that the Company can have control over the books and records of the Target Company.

Second Closing

Subject to the terms and conditions set forth in the Share Purchase Agreement, the closing of the transactions contemplated by the Share Purchase Agreement shall take place at the principal offices of the Company and on the date as specified by the Company in a notice to the Sellers' Representative duly signed and delivered by the Company as promptly as practicable following the delivery of the 2010 Audited Financial Statements (to be audited by East Asia Sentinel Limited, or the other independent auditors mutually agreed between the Company and the Sellers' Representative) to the Company (such Second Closing to take place within ten (10) Business Days following such delivery (which shall be made no late than April 30, 2011) and in any event no later than April 30, 2011, unless the delivery of the 2010 Audited Financial Statements has been delayed due to a failure on the part of Key Management to timely furnish the auditors with the management accounts or timely facilitate the discussions among the auditors and the personnel of the Target Company required for the preparation thereof, in which case such payment shall be made within ten (10) Business Days of delivery of the 2010 Audited Financial Statements).

Third Closing

Subject to the terms and conditions set forth in the Share Purchase Agreement, the closing of the transactions contemplated by the Share Purchase Agreement shall take place at the principal offices of the Company and on the date as specified by the Company in a notice to the Sellers' Representative duly signed and delivered by the Company as promptly as practicable following the delivery of the 2011 Audited Financial Statements (to be audited by East Asia Sentinel Limited, or the other independent auditors mutually agreed between the Company and the Sellers' Representative) to the Company (such Third Closing to take place within ten (10) Business Days following such delivery (which shall be made no later than April 30, 2012) and in any event no later than April 30, 2012, unless the delivery of the 2011 Audited Financial Statements has been delayed due to a failure on the part of Key Management to timely furnish the auditors with the management accounts or timely facilitate the discussions among the auditors and the personnel of the Target Company required for the preparation thereof, in which case such payment shall be made within ten (10) Business Days of delivery of the 2011 Audited Financial Statements).

Fourth Closing

Subject to the terms and conditions set forth in the Share Purchase Agreement, the closing of the transactions contemplated by the Share Purchase Agreement shall take place at the principal offices of the Company and on the date as specified by the Company in a notice to the Sellers' Representative duly signed and delivered by the Company as promptly as practicable following the delivery of the 2012 Audited Financial Statements (to be audited by East Asia Sentinel Limited, or the other independent auditors mutually agreed between the Company and the Sellers' Representative) to the Company (such Fourth Closing to take place within ten (10) Business Days following such delivery (which shall be made no later than April 30, 2013) and in any event no later than April 30, 2013, unless the delivery of the 2012 Audited Financial Statements has been delayed due to a failure on the part of Key Management to timely furnish the auditors with the management accounts or timely facilitate the discussions among the auditors and the personnel of the Target Company required for the preparation thereof, in which case such payment shall be made within ten (10) Business Days of delivery of the 2012 Audited Financial Statements).

TREATMENT OF OUTSTANDING OPTIONS

Immediately prior to the First Closing, each Outstanding Option shall be cashed out and cancelled, terminated and extinguished in exchange for the right of the holder thereof to receive pro rata portion of the Aggregate Consideration, less exercise price for such options and less any applicable withholding taxes pursuant to the Share Purchase Agreement. Upon such cancellation and termination, the Outstanding Option shall represent only the right to receive the payments contemplated by the Share Purchase Agreement, and the holder thereof shall cease to have any other rights.

Economically, the holders of the Outstanding Options will effectively be treated the same as the Selling Shareholders. The basis of allocation and the calculation of the expected number of Shares and cash to be distributed are the same as the basis of allocation and calculation for the Selling Shareholders as if the holders of the Outstanding Options were Selling Shareholders who held that number of shares of the Target Company immediately prior to the First Closing.

For each Outstanding Option, the cash consideration payable in respect thereof shall be reduced by the amount of any tax withholding obligations and the exercise price for such options. If the amount to be reduced exceeds the cash consideration payable in respect of that option, the shortfall shall be satisfied by a reduction in the share consideration payable in respect of that option. However, the aggregate amount of the Initial Installment Cash Consideration and Initial Installment Share Consideration payable under the Acquisition shall remain unchanged since any reductions made as described above shall be re-allocated and adjusted pro rata among all holders of the Offered Shares.

SHAREHOLDING STRUCTURE OF THE COMPANY BEFORE AND AFTER COMPLETION OF THE ACQUISITION

Assuming the proposed issue of Convertible Notes does not complete

Shareholder Structure	**Immediately before the date of the First Closing**		**Immediately after the date of the First Closing**		**Immediately after the date of the Second Closing**		**Immediately after the date of the Third Closing subject to the 30% Threshold**		**Immediately after the date of the Fourth Closing subject to the 30% Threshold**	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
China National Computer Software & Technology Service Corporation (Hong Kong) Limited	195,315,173	17.93%	195,315,173	16.28%	195,315,173	15.98%	195,315,173	12.56%	195,315,173	12.56%
Far East Holdings International Limited	138,989,822	12.76%	138,989,822	11.58%	138,989,822	11.37%	138,989,822	8.93%	138,989,822	8.93%
Greater Pacific Capital Partners, LP	119,268,639	10.95%	119,268,639	9.94%	119,268,639	9.76%	119,268,639	7.67%	119,268,639	7.67%
Deep Bright Limited	50,000,000	4.59%	50,000,000	4.17%	50,000,000	4.09%	50,000,000	3.21%	50,000,000	3.21%
Directors										
Dr. Chen Yuhong	44,420,136	4.08%	44,420,136	3.70%	44,420,136	3.63%	44,420,136	2.86%	44,420,136	2.86%
Dr. Cui Hui	20,000,000	1.84%	20,000,000	1.67%	20,000,000	1.64%	20,000,000	1.29%	20,000,000	1.29%
Dr. Tang Zhenming	11,747,765	1.08%	11,747,765	0.98%	11,747,765	0.96%	11,747,765	0.76%	11,747,765	0.76%
Mr. Wang Hui	9,237,838	0.85%	9,237,838	0.77%	9,237,838	0.76%	9,237,838	0.59%	9,237,838	0.59%
Mr. Zeng Zhijie	300,000	0.03%	300,000	0.03%	300,000	0.02%	300,000	0.02%	300,000	0.02%
Public										
The Selling Shareholders*			110,906,250	9.24%	133,087,500	10.89%	466,525,191	29.99%	466,525,191	29.99%
Public Shareholders	499,797,941	45.89%	499,797,941	41.65%	499,797,941	40.89%	499,797,941	32.13%	499,797,941	32.13%
	499,797,941	45.89%	610,704,191	50.89%	632,885,441	51.78%	966,323,132	62.12%	966,323,132	62.12%
TOTAL	**1,089,077,314**	**100.00%**	**1,199,983,564**	**100.00%**	**1,222,164,814**	**100.00%**	**1,555,602,505**	**100.00%**	**1,555,602,505**	**100.00%**

* As at the Latest Practicable Date, none of the Selling Shareholders are connected persons to the Company and as far as the Company is aware, none of the Selling Shareholders will become connected persons to the Company.

The Selling Shareholders								
Interactive NewSky Limited	22,181,249	1.85%	26,617,499	2.18%	93,305,035	6.00%	93,305,035	6.00%
IDG Technology Venture Investment III, L.P.	18,907,235	1.58%	22,688,682	1.86%	79,532,953	5.11%	79,532,953	5.11%
BlueRun Ventures, L.P.	18,578,150	1.55%	22,293,780	1.82%	78,148,660	5.02%	78,148,660	5.02%
Crosslink Ventures V, L.P.	6,985,538	0.58%	8,382,645	0.69%	29,384,541	1.89%	29,384,541	1.89%
Offshore Crosslink Ventures V Unit Trust	860,416	0.07%	1,032,499	0.08%	3,619,323	0.23%	3,619,323	0.23%
Crosslink Bayview V, LLC	263,773	0.02%	316,528	0.03%	1,109,558	0.07%	1,109,558	0.07%
Crosslink Crossover Fund V, LP	4,366,777	0.36%	5,240,133	0.43%	18,368,772	1.18%	18,368,772	1.18%
Long Bridge Limited[1]	12,642,264	1.05%	15,170,716	1.24%	53,179,460	3.42%	53,179,460	3.42%
Gao Jian	1,976,039	0.16%	2,371,247	0.19%	8,312,173	0.53%	8,312,173	0.53%
Happy Sunflower Limited[2]	1,975,446	0.16%	2,370,536	0.19%	8,309,680	0.53%	8,309,680	0.53%
Wiseking Venture Limited[1]	3,160,714	0.26%	3,792,857	0.31%	13,295,488	0.85%	13,295,488	0.85%
Rich Harvest Worldwide Limited	1,975,446	0.16%	2,370,536	0.19%	8,309,680	0.53%	8,309,680	0.53%
New Snow Ventures Limited	3,950,893	0.33%	4,741,071	0.39%	16,619,360	1.07%	16,619,360	1.07%
Lilong Ventures Limited[3]	5,545,313	0.46%	6,654,375	0.54%	23,326,261	1.50%	23,326,261	1.50%
Option Holders[4]	7,536,997	0.63%	9,044,397	0.74%	31,704,246	2.04%	31,704,246	2.04%
Total	**110,906,250**	**9.24%**	**133,087,500**	**10.89%**	**466,525,191**	**29.99%**	**466,525,191**	**29.99%**

Notes:

1. Pursuant to the Share Purchase Agreement, the transfer from Wiseking Venture Limited of 1,399,700 Target Common Shares to Long Bridge Limited prior to the First Closing.

2. Pursuant to the Share Purchase Agreement, the transfer from Mr. Mao Ying of all his Target Common Shares (1,000,000) to Happy Sunflower Limited, a British Virgin Islands company wholly owned by Mr. Mao Ying prior to the First Closing.

3. Pursuant to the Share Purchase Agreement, the transfer from Interactive NewSky Limited of 2,807,119 Target Common Shares to Lilong Venture Limited wholly owned by Ms. Li Jie prior to the First Closing, such that immediately following such transfer Mr. Chen Bin shall own 100% interests in Interactive NewSky Limited.

4. Option Holders are not the Target Company's shareholders of records. At closing, Option Holders will be treated the same as the Selling Shareholders for the purpose of recognising their rights to receive the allocation of the Aggregate Consideration (less exercise price and less withholding tax) since each option will be cashed out, cancelled, terminated and extinguished. Option holders are all the employees who are working for the Target Group and there are 177 Option Holders in total.

Assuming full conversion of the Convertible Notes after the date of the First Closing

Shareholder Structure	Immediately before the date of the First Closing		Immediately after the date of the First Closing		Assuming full conversion of the Convertible Notes at conversion price of HK$2.00		Immediately after the date of the Second Closing		Immediately after the date of the Third Closing subject to the 30% Threshold		Immediately after the date of the Fourth Closing subject to the 30% Threshold	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
China National Computer Software & Technology Service Corporation (Hong Kong) Limited	195,315,173	17.93%	195,315,173	16.28%	195,315,173	14.84%	195,315,173	14.60%	195,315,173	11.35%	195,315,173	11.35%
Far East Holdings International Limited	138,989,822	12.76%	138,989,822	11.58%	138,989,822	10.56%	138,989,822	10.39%	138,989,822	8.08%	138,989,822	8.08%
Greater Pacific Capital Partners, LP	119,268,639	10.95%	119,268,639	9.94%	119,268,639	9.06%	119,268,639	8.91%	119,268,639	6.93%	119,268,639	6.93%
Deep Bright Limited	50,000,000	4.59%	50,000,000	4.17%	50,000,000	3.80%	50,000,000	3.74%	50,000,000	2.91%	50,000,000	2.91%
Directors												
Dr. Chen Yuhong	44,420,136	4.08%	44,420,136	3.70%	44,420,136	3.38%	44,420,136	3.32%	44,420,136	2.58%	44,420,136	2.58%
Dr. Cui Hui	20,000,000	1.84%	20,000,000	1.67%	20,000,000	1.52%	20,000,000	1.49%	20,000,000	1.16%	20,000,000	1.16%
Dr. Tang Zhenming	11,747,765	1.08%	11,747,765	0.98%	11,747,765	0.89%	11,747,765	0.88%	11,747,765	0.68%	11,747,765	0.68%
Mr. Wang Hui	9,237,838	0.85%	9,237,838	0.77%	9,237,838	0.70%	9,237,838	0.69%	9,237,838	0.54%	9,237,838	0.54%
Mr. Zeng Zhijie	300,000	0.03%	300,000	0.03%	300,000	0.02%	300,000	0.02%	300,000	0.02%	300,000	0.02%
Subscribers					115,809,100	8.80%	115,809,100	8.66%	115,809,100	6.73%	115,809,100	6.73%
Public												
The Selling Shareholders*			110,906,250	9.24%	110,906,250	8.43%	133,087,500	9.95%	516,134,032	29.99%	516,134,032	29.99%
Public Shareholders	499,797,941	45.89%	499,797,941	41.65%	499,797,941	37.98%	499,797,941	37.35%	499,797,941	29.04%	499,797,941	29.04%
	499,797,941	45.89%	610,704,191	50.89%	610,704,191	46.41%	632,885,441	47.30%	1,015,931,973	59.03%	1,015,931,973	59.03%
TOTAL	**1,089,077,314**	**100.00%**	**1,199,983,564**	**100.00%**	**1,315,792,664**	**100.00%**	**1,337,973,914**	**100.00%**	**1,721,020,446**	**100.00%**	**1,721,020,446**	**100.00%**
The Selling Shareholders												
Interactive NewSky Limited			22,181,249	1.85%	22,181,249	1.69%	26,617,499	1.99%	103,226,803	6.00%	103,226,803	6.00%
IDG Technology Venture Investment III, L.P.			18,907,235	1.58%	18,907,235	1.44%	22,688,682	1.70%	87,990,241	5.11%	87,990,241	5.11%
BlueRun Ventures, L.P.			18,578,150	1.55%	18,578,150	1.41%	22,293,780	1.67%	86,458,746	5.02%	86,458,746	5.02%
Crosslink Ventures V, L.P.			6,985,538	0.58%	6,985,538	0.53%	8,382,645	0.63%	32,509,202	1.89%	32,509,202	1.89%
Offshore Crosslink Ventures V Unit Trust			860,416	0.07%	860,416	0.07%	1,032,499	0.08%	4,004,190	0.23%	4,004,190	0.23%
Crosslink Bayview V, LLC			263,773	0.02%	263,773	0.02%	316,528	0.02%	1,227,545	0.07%	1,227,545	0.07%
Crosslink Crossover Fund V, LP			4,366,777	0.36%	4,366,777	0.33%	5,240,133	0.39%	20,322,050	1.18%	20,322,050	1.18%
Long Bridge Limited			12,642,264	1.05%	12,642,264	0.96%	15,170,716	1.13%	58,834,398	3.42%	58,834,398	3.42%
Gao Jian			1,976,039	0.16%	1,976,039	0.15%	2,371,247	0.18%	9,196,064	0.53%	9,196,064	0.53%
Happy Sunflower Limited			1,975,446	0.16%	1,975,446	0.15%	2,370,536	0.18%	9,193,306	0.53%	9,193,306	0.53%
Wiseking Venture Limited			3,160,714	0.26%	3,160,714	0.24%	3,792,857	0.28%	14,709,289	0.85%	14,709,289	0.85%
Rich Harvest Worldwide Limited			1,975,446	0.16%	1,975,446	0.15%	2,370,536	0.18%	9,193,306	0.53%	9,193,306	0.53%
New Snow Ventures Limited			3,950,893	0.33%	3,950,893	0.30%	4,741,071	0.35%	18,386,611	1.07%	18,386,611	1.07%
Option Holders			7,536,997	0.63%	7,536,997	0.57%	9,044,397	0.68%	35,075,578	2.04%	35,075,578	2.04%
Lilong Ventures Limited			5,545,313	0.46%	5,545,313	0.42%	6,654,375	0.50%	25,806,703	1.50%	25,806,703	1.50%
TOTAL			**110,906,250**	**9.24%**	**110,906,250**	**8.43%**	**133,087,500**	**9.95%**	**516,134,032**	**29.99%**	**516,134,032**	**29.99%**

* As at the Latest Practicable Date, none of the Selling Shareholders are connected persons to the Company and as far as the Company is aware, none of the Selling Shareholders will become connected persons to the Company.

Shareholder Structure	Immediately before the date of the First Closing		Immediately after the date of the First Closing		Assuming full conversion of the Convertible Notes under the 30% Limitation		Immediately after the date of the Second Closing		Immediately after the date of the Third Closing subject to the 30% Threshold		Immediately after the date of the Fourth Closing subject to the 30% Threshold	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
China National Computer Software & Technology Service Corporation (Hong Kong) Limited	195,315,173	17.93%	195,315,173	16.28%	195,315,173	11.40%	195,315,173	11.25%	195,315,173	8.53%	195,315,173	8.53%
Far East Holdings International Limited	138,989,822	12.76%	138,989,822	11.58%	138,989,822	8.11%	138,989,822	8.01%	138,989,822	6.07%	138,989,822	6.07%
Greater Pacific Capital Partners, LP	119,268,639	10.95%	119,268,639	9.94%	119,268,639	6.96%	119,268,639	6.87%	119,268,639	5.21%	119,268,639	5.21%
Deep Bright Limited	50,000,000	4.59%	50,000,000	4.17%	50,000,000	2.92%	50,000,000	2.88%	50,000,000	2.18%	50,000,000	2.18%
Directors												
Dr. Chen Yuhong	44,420,136	4.08%	44,420,136	3.70%	44,420,136	2.59%	44,420,136	2.56%	44,420,136	1.94%	44,420,136	1.94%
Dr. Cui Hui	20,000,000	1.84%	20,000,000	1.67%	20,000,000	1.17%	20,000,000	1.15%	20,000,000	0.87%	20,000,000	0.87%
Dr. Tang Zhenming	11,747,765	1.08%	11,747,765	0.98%	11,747,765	0.69%	11,747,765	0.68%	11,747,765	0.51%	11,747,765	0.51%
Mr. Wang Hui	9,237,838	0.85%	9,237,838	0.77%	9,237,838	0.54%	9,237,838	0.53%	9,237,838	0.40%	9,237,838	0.40%
Mr. Zeng Zhijie	300,000	0.03%	300,000	0.03%	300,000	0.02%	300,000	0.02%	300,000	0.01%	300,000	0.01%
Subscribers					514,033,811	29.99%	514,033,811	29.61%	514,033,811	22.45%	514,033,811	22.45%
Public												
The Selling Shareholders*			110,906,250	9.24%	110,906,250	6.47%	133,087,500	7.67%	686,720,506	29.99%	686,720,506	29.99%
Public Shareholders	499,797,941	45.89%	499,797,941	41.65%	499,797,941	29.16%	499,797,941	28.79%	499,797,941	21.83%	499,797,941	21.83%
	499,797,941	45.89%	610,704,191	50.89%	610,704,191	35.63%	632,885,441	36.45%	1,186,518,447	51.82%	1,186,518,447	51.82%
TOTAL	**1,089,077,314**	**100.00%**	**1,199,983,564**	**100.00%**	**1,714,017,375**	**100.00%**	**1,736,198,625**	**100.00%**	**2,289,831,631**	**100.00%**	**2,289,831,631**	**100.00%**
The Selling Shareholders												
Interactive NewSky Limited			22,181,249	1.85%	22,181,249	1.29%	26,617,499	1.53%	137,344,096	6.00%	137,344,096	6.00%
IDG Technology Venture Investment III, L.P.			18,907,235	1.58%	18,907,235	1.10%	22,688,682	1.31%	117,071,727	5.11%	117,071,727	5.11%
BlueRun Ventures, L.P.			18,578,150	1.55%	18,578,150	1.08%	22,293,780	1.28%	115,034,062	5.02%	115,034,062	5.02%
Crosslink Ventures V, L.P.			6,985,538	0.58%	6,985,538	0.41%	8,382,645	0.48%	43,253,756	1.89%	43,253,756	1.89%
Offshore Crosslink Ventures V Unit Trust			860,416	0.07%	860,416	0.05%	1,032,499	0.06%	5,327,608	0.23%	5,327,608	0.23%
Crosslink Bayview V, LLC			263,773	0.02%	263,773	0.02%	316,528	0.02%	1,633,259	0.07%	1,633,259	0.07%
Crosslink Crossover Fund V, LP			4,366,777	0.36%	4,366,777	0.25%	5,240,133	0.30%	27,038,652	1.18%	27,038,652	1.18%
Long Bridge Limited			12,642,264	1.05%	12,642,264	0.74%	15,170,716	0.87%	78,279,643	3.42%	78,279,643	3.42%
Gao Jian			1,976,039	0.16%	1,976,039	0.12%	2,371,247	0.14%	12,235,437	0.53%	12,235,437	0.53%
Happy Sunflower Limited			1,975,446	0.16%	1,975,446	0.12%	2,370,536	0.14%	12,231,768	0.53%	12,231,768	0.53%
Wiseking Venture Limited			3,160,714	0.26%	3,160,714	0.18%	3,792,857	0.22%	19,570,828	0.85%	19,570,828	0.85%
Rich Harvest Worldwide Limited			1,975,446	0.16%	1,975,446	0.12%	2,370,536	0.14%	12,231,768	0.53%	12,231,768	0.53%
New Snow Ventures Limited			3,950,893	0.33%	3,950,893	0.23%	4,741,071	0.27%	24,463,535	1.07%	24,463,535	1.07%
Option Holders			7,536,997	0.63%	7,536,997	0.44%	9,044,397	0.52%	46,668,340	2.04%	46,668,340	2.04%
Lilong Ventures Limited			5,545,313	0.46%	5,545,313	0.32%	6,654,375	0.38%	34,336,027	1.50%	34,336,027	1.50%
TOTAL			**110,906,250**	**9.24%**	**110,906,250**	**6.47%**	**133,087,500**	**7.67%**	**686,720,506**	**29.99%**	**686,720,506**	**29.99%**

* As at the Latest Practicable Date, none of the Selling Shareholders are connected persons to the Company and as far as the Company is aware, none of the Selling Shareholders will become connected persons to the Company.

Note: The maximum number of conversion shares issuable at the conversion price under the 30% Limitation (as defined in the circular of the Company dated November 1, 2010) of the Convertible Notes assumes the Completion of the Subscription Agreement falls after the date of First Closing

Assuming full conversion of the Convertible Notes after the date of the Second Closing

Shareholder Structure	Immediately before the date of the First Closing		Immediately after the date of the First Closing		Immediately after the date of the Second Closing		Assuming full conversion of the Convertible Notes at conversion price of HK$2.00		Immediately after the date of the Third Closing subject to the 30% Threshold		Immediately after the date of the Fourth Closing subject to the 30% Threshold	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
China National Computer Software & Technology Service Corporation (Hong Kong) Limited	195,315,173	17.93%	195,315,173	16.28%	195,315,173	15.98%	195,315,173	14.60%	195,315,173	11.35%	195,315,173	11.35%
Far East Holdings International Limited	138,989,822	12.76%	138,989,822	11.58%	138,989,822	11.37%	138,989,822	10.39%	138,989,822	8.08%	138,989,822	8.08%
Greater Pacific Capital Partners, LP	119,268,639	10.95%	119,268,639	9.94%	119,268,639	9.76%	119,268,639	8.91%	119,268,639	6.93%	119,268,639	6.93%
Deep Bright Limited	50,000,000	4.59%	50,000,000	4.17%	50,000,000	4.09%	50,000,000	3.74%	50,000,000	2.91%	50,000,000	2.91%
Directors												
Dr. Chen Yuhong	44,420,136	4.08%	44,420,136	3.70%	44,420,136	3.63%	44,420,136	3.32%	44,420,136	2.58%	44,420,136	2.58%
Dr. Cui Hui	20,000,000	1.84%	20,000,000	1.67%	20,000,000	1.64%	20,000,000	1.49%	20,000,000	1.16%	20,000,000	1.16%
Dr. Tang Zhenming	11,747,765	1.08%	11,747,765	0.98%	11,747,765	0.96%	11,747,765	0.88%	11,747,765	0.68%	11,747,765	0.68%
Mr. Wang Hui	9,237,838	0.85%	9,237,838	0.77%	9,237,838	0.76%	9,237,838	0.69%	9,237,838	0.54%	9,237,838	0.54%
Mr. Zeng Zhijie	300,000	0.03%	300,000	0.03%	300,000	0.02%	300,000	0.02%	300,000	0.02%	300,000	0.02%
Subscribers							115,809,100	8.66%	115,809,100	6.73%	115,809,100	6.73%
Public												
The Selling Shareholders*			110,906,250	9.24%	133,087,500	10.89%	133,087,500	9.95%	516,134,032	29.99%	516,134,032	29.99%
Public Shareholders	499,797,941	45.89%	499,797,941	41.65%	499,797,941	40.89%	499,797,941	37.35%	499,797,941	29.04%	499,797,941	29.04%
	499,797,941	45.89%	610,704,191	50.89%	632,885,441	51.78%	632,885,441	47.30%	1,015,931,973	59.03%	1,015,931,973	59.03%
TOTAL	**1,089,077,314**	**100.00%**	**1,199,983,564**	**100.00%**	**1,222,164,814**	**100.00%**	**1,337,973,914**	**100.00%**	**1,721,020,446**	**100.00%**	**1,721,020,446**	**100.00%**
The Selling Shareholders												
Interactive NewSky Limited			22,181,249	1.85%	26,617,499	2.18%	26,617,499	1.99%	103,226,803	6.00%	103,226,803	6.00%
IDG Technology Venture Investment III, L.P.			18,907,235	1.58%	22,688,682	1.86%	22,688,682	1.70%	87,990,241	5.11%	87,990,241	5.11%
BlueRun Ventures, L.P.			18,578,150	1.55%	22,293,780	1.82%	22,293,780	1.67%	86,458,746	5.02%	86,458,746	5.02%
Crosslink Ventures V, L.P.			6,985,538	0.58%	8,382,645	0.69%	8,382,645	0.63%	32,509,202	1.89%	32,509,202	1.89%
Offshore Crosslink Ventures V Unit Trust			860,416	0.07%	1,032,499	0.08%	1,032,499	0.08%	4,004,190	0.23%	4,004,190	0.23%
Crosslink Bayview V, LLC			263,773	0.02%	316,528	0.03%	316,528	0.02%	1,227,545	0.07%	1,227,545	0.07%
Crosslink Crossover Fund V, LP			4,366,777	0.36%	5,240,133	0.43%	5,240,133	0.39%	20,322,050	1.18%	20,322,050	1.18%
Long Bridge Limited			12,642,264	1.05%	15,170,716	1.24%	15,170,716	1.13%	58,834,398	3.42%	58,834,398	3.42%
Gao Jian			1,976,039	0.16%	2,371,247	0.19%	2,371,247	0.18%	9,196,064	0.53%	9,196,064	0.53%
Happy Sunflower Limited			1,975,446	0.16%	2,370,536	0.19%	2,370,536	0.18%	9,193,306	0.53%	9,193,306	0.53%
Wiseking Venture Limited			3,160,714	0.26%	3,792,857	0.31%	3,792,857	0.28%	14,709,289	0.85%	14,709,289	0.85%
Rich Harvest Worldwide Limited			1,975,446	0.16%	2,370,536	0.19%	2,370,536	0.18%	9,193,306	0.53%	9,193,306	0.53%
New Snow Ventures Limited			3,950,893	0.33%	4,741,071	0.39%	4,741,071	0.35%	18,386,611	1.07%	18,386,611	1.07%
Option Holders			7,536,997	0.63%	9,044,397	0.74%	9,044,397	0.68%	35,075,578	2.04%	35,075,578	2.04%
Lilong Ventures Limited			5,545,313	0.46%	6,654,375	0.54%	6,654,375	0.50%	25,806,703	1.50%	25,806,703	1.50%
TOTAL			**110,906,250**	**9.24%**	**133,087,500**	**10.89%**	**133,087,500**	**9.95%**	**516,134,032**	**29.99%**	**516,134,032**	**29.99%**

* As at the Latest Practicable Date, none of the Selling Shareholders are connected persons to the Company and as far as the Company is aware, none of the Selling Shareholders will become connected persons to the Company.

Shareholder Structure	Immediately before the date of the First Closing		Immediately after the date of the First Closing		Immediately after the date of the Second Closing		Assuming full conversion of the Convertible Notes under the 30% Limitation		Immediately after the date of the Third Closing subject to the 30% Threshold		Immediately after the date of the Fourth Closing subject to the 30% Threshold	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
China National Computer Software & Technology Service Corporation (Hong Kong) Limited	195,315,173	17.93%	195,315,173	16.28%	195,315,173	15.98%	195,315,173	11.25%	195,315,173	8.53%	195,315,173	8.53%
Far East Holdings International Limited	138,989,822	12.76%	138,989,822	11.58%	138,989,822	11.37%	138,989,822	8.01%	138,989,822	6.07%	138,989,822	6.07%
Greater Pacific Capital Partners, LP	119,268,639	10.95%	119,268,639	9.94%	119,268,639	9.76%	119,268,639	6.87%	119,268,639	5.21%	119,268,639	5.21%
Deep Bright Limited	50,000,000	4.59%	50,000,000	4.17%	50,000,000	4.09%	50,000,000	2.88%	50,000,000	2.18%	50,000,000	2.18%
Directors												
Dr. Chen Yuhong	44,420,136	4.08%	44,420,136	3.70%	44,420,136	3.63%	44,420,136	2.56%	44,420,136	1.94%	44,420,136	1.94%
Dr. Cui Hui	20,000,000	1.84%	20,000,000	1.67%	20,000,000	1.64%	20,000,000	1.15%	20,000,000	0.87%	20,000,000	0.87%
Dr. Tang Zhenming	11,747,765	1.08%	11,747,765	0.98%	11,747,765	0.96%	11,747,765	0.68%	11,747,765	0.51%	11,747,765	0.51%
Mr. Wang Hui	9,237,838	0.85%	9,237,838	0.77%	9,237,838	0.76%	9,237,838	0.53%	9,237,838	0.40%	9,237,838	0.40%
Mr. Zeng Zhijie	300,000	0.03%	300,000	0.03%	300,000	0.02%	300,000	0.02%	300,000	0.01%	300,000	0.01%
Subscribers							514,033,811	29.61%	514,033,811	22.45%	514,033,811	22.45%
Public												
The Selling Shareholders*			110,906,250	9.24%	133,087,500	10.89%	133,087,500	7.67%	686,720,506	29.99%	686,720,506	29.99%
Public Shareholders	499,797,941	45.89%	499,797,941	41.65%	499,797,941	40.89%	499,797,941	28.79%	499,797,941	21.83%	499,797,941	21.83%
	499,797,941	45.89%	610,704,191	50.89%	632,885,441	51.78%	632,885,441	36.45%	1,186,518,447	51.82%	1,186,518,447	51.82%
TOTAL	**1,089,077,314**	**100.00%**	**1,199,983,564**	**100.00%**	**1,222,164,814**	**100.00%**	**1,736,198,625**	**100.00%**	**2,289,831,631**	**100.00%**	**2,289,831,631**	**100.00%**
The Selling Shareholders												
Interactive NewSky Limited			22,181,249	1.85%	26,617,499	2.18%	26,617,499	1.53%	137,344,096	6.00%	137,344,096	6.00%
IDG Technology Venture Investment III, L.P.			18,907,235	1.58%	22,688,682	1.86%	22,688,682	1.31%	117,071,727	5.11%	117,071,727	5.11%
BlueRun Ventures, L.P.			18,578,150	1.55%	22,293,780	1.82%	22,293,780	1.28%	115,034,062	5.02%	115,034,062	5.02%
Crosslink Ventures V, L.P.			6,985,538	0.58%	8,382,645	0.69%	8,382,645	0.48%	43,253,756	1.89%	43,253,756	1.89%
Offshore Crosslink Ventures V Unit Trust			860,416	0.07%	1,032,499	0.08%	1,032,499	0.06%	5,327,608	0.23%	5,327,608	0.23%
Crosslink Bayview V, LLC			263,773	0.02%	316,528	0.03%	316,528	0.02%	1,633,259	0.07%	1,633,259	0.07%
Crosslink Crossover Fund V, LP			4,366,777	0.36%	5,240,133	0.43%	5,240,133	0.30%	27,038,652	1.18%	27,038,652	1.18%
Long Bridge Limited			12,642,264	1.05%	15,170,716	1.24%	15,170,716	0.87%	78,279,643	3.42%	78,279,643	3.42%
Gao Jian			1,976,039	0.16%	2,371,247	0.19%	2,371,247	0.14%	12,235,437	0.53%	12,235,437	0.53%
Happy Sunflower Limited			1,975,446	0.16%	2,370,536	0.19%	2,370,536	0.14%	12,231,768	0.53%	12,231,768	0.53%
Wiseking Venture Limited			3,160,714	0.26%	3,792,857	0.31%	3,792,857	0.22%	19,570,828	0.85%	19,570,828	0.85%
Rich Harvest Worldwide Limited			1,975,446	0.16%	2,370,536	0.19%	2,370,536	0.14%	12,231,768	0.53%	12,231,768	0.53%
New Snow Ventures Limited			3,950,893	0.33%	4,741,071	0.39%	4,741,071	0.27%	24,463,535	1.07%	24,463,535	1.07%
Option Holders			7,536,997	0.63%	9,044,397	0.74%	9,044,397	0.52%	46,668,340	2.04%	46,668,340	2.04%
Lilong Ventures Limited			5,545,313	0.46%	6,654,375	0.54%	6,654,375	0.38%	34,336,027	1.50%	34,336,027	1.50%
TOTAL			**110,906,250**	**9.24%**	**133,087,500**	**10.89%**	**133,087,500**	**7.67%**	**686,720,506**	**29.99%**	**686,720,506**	**29.99%**

* As at the Latest Practicable Date, none of the Selling Shareholders are connected persons to the Company and as far as the Company is aware, none of the Selling Shareholders will become connected persons to the Company.

Assuming full conversion of the Convertible Notes after the date of the Third Closing

Shareholder Structure	Immediately before the date of the First Closing		Immediately after the date of the First Closing		Immediately after the date of the Second Closing		Immediately after the date of the Third Closing subject to the 30% Threshold		Assuming full conversion of the Convertible Notes at conversion price of HK$2.00		Immediately after the date of the Fourth Closing subject to the 30% Threshold	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
China National Computer Software & Technology Service Corporation (Hong Kong) Limited	195,315,173	17.93%	195,315,173	16.28%	195,315,173	15.98%	195,315,173	12.56%	195,315,173	11.69%	195,315,173	11.35%
Far East Holdings International Limited	138,989,822	12.76%	138,989,822	11.58%	138,989,822	11.37%	138,989,822	8.93%	138,989,822	8.32%	138,989,822	8.08%
Greater Pacific Capital Partners, LP	119,268,639	10.95%	119,268,639	9.94%	119,268,639	9.76%	119,268,639	7.67%	119,268,639	7.14%	119,268,639	6.93%
Deep Bright Limited	50,000,000	4.59%	50,000,000	4.17%	50,000,000	4.09%	50,000,000	3.21%	50,000,000	2.99%	50,000,000	2.91%
Directors												
Dr. Chen Yuhong	44,420,136	4.08%	44,420,136	3.70%	44,420,136	3.63%	44,420,136	2.86%	44,420,136	2.66%	44,420,136	2.58%
Dr. Cui Hui	20,000,000	1.84%	20,000,000	1.67%	20,000,000	1.64%	20,000,000	1.29%	20,000,000	1.20%	20,000,000	1.16%
Dr. Tang Zhenming	11,747,765	1.08%	11,747,765	0.98%	11,747,765	0.96%	11,747,765	0.76%	11,747,765	0.70%	11,747,765	0.68%
Mr. Wang Hui	9,237,838	0.85%	9,237,838	0.77%	9,237,838	0.76%	9,237,838	0.59%	9,237,838	0.55%	9,237,838	0.54%
Mr. Zeng Zhijie	300,000	0.03%	300,000	0.03%	300,000	0.02%	300,000	0.02%	300,000	0.02%	300,000	0.02%
Subscribers									115,809,100	6.93%	115,809,100	6.73%
Public												
The Selling Shareholders*			110,906,250	9.24%	133,087,500	10.89%	466,525,191	29.99%	466,525,191	27.91%	516,134,032	29.99%
Public Shareholders	499,797,941	45.89%	499,797,941	41.65%	499,797,941	40.89%	499,797,941	32.13%	499,797,941	29.90%	499,797,941	29.04%
	499,797,941	45.89%	610,704,191	50.89%	632,885,441	51.78%	966,323,132	62.12%	966,323,132	57.81%	1,015,931,973	59.03%
TOTAL	**1,089,077,314**	**100.00%**	**1,199,983,564**	**100.00%**	**1,222,164,814**	**100.00%**	**1,555,602,505**	**100.00%**	**1,671,411,605**	**100.00%**	**1,721,020,446**	**100.00%**
The Selling Shareholders												
Interactive NewSky Limited			22,181,249	1.85%	26,617,499	2.18%	93,305,035	6.00%	93,305,035	5.58%	103,226,803	6.00%
IDG Technology Venture Investment III, L.P.			18,907,235	1.58%	22,688,682	1.86%	79,532,953	5.11%	79,532,953	4.76%	87,990,241	5.11%
BlueRun Ventures, L.P.			18,578,150	1.55%	22,293,780	1.82%	78,148,660	5.02%	78,148,660	4.68%	86,458,746	5.02%
Crosslink Ventures V, L.P.			6,985,538	0.58%	8,382,645	0.69%	29,384,541	1.89%	29,384,541	1.76%	32,509,202	1.89%
Offshore Crosslink Ventures V Unit Trust			860,416	0.07%	1,032,499	0.08%	3,619,323	0.23%	3,619,323	0.22%	4,004,190	0.23%
Crosslink Bayview V, LLC			263,773	0.02%	316,528	0.03%	1,109,558	0.07%	1,109,558	0.07%	1,227,545	0.07%
Crosslink Crossover Fund V, LP			4,366,777	0.36%	5,240,133	0.43%	18,368,772	1.18%	18,368,772	1.10%	20,322,050	1.18%
Long Bridge Limited			12,642,264	1.05%	15,170,716	1.24%	53,179,460	3.42%	53,179,460	3.18%	58,834,398	3.42%
Gao Jian			1,976,039	0.16%	2,371,247	0.19%	8,312,173	0.53%	8,312,173	0.50%	9,196,064	0.53%
Happy Sunflower Limited			1,975,446	0.16%	2,370,536	0.19%	8,309,680	0.53%	8,309,680	0.50%	9,193,306	0.53%
Wiseking Venture Limited			3,160,714	0.26%	3,792,857	0.31%	13,295,488	0.85%	13,295,488	0.80%	14,709,289	0.85%
Rich Harvest Worldwide Limited			1,975,446	0.16%	2,370,536	0.19%	8,309,680	0.53%	8,309,680	0.50%	9,193,306	0.53%
New Snow Ventures Limited			3,950,893	0.33%	4,741,071	0.39%	16,619,360	1.07%	16,619,360	0.99%	18,386,611	1.07%
Option Holders			7,536,997	0.63%	9,044,397	0.74%	31,704,246	2.04%	31,704,246	1.90%	35,075,578	2.04%
Lilong Ventures Limited			5,545,313	0.46%	6,654,375	0.54%	23,326,261	1.50%	23,326,261	1.40%	25,806,703	1.50%
TOTAL			**110,906,250**	**9.24%**	**133,087,500**	**10.89%**	**466,525,191**	**29.99%**	**466,525,191**	**27.91%**	**516,134,032**	**29.99%**

* As at the Latest Practicable Date, none of the Selling Shareholders are connected persons to the Company and as far as the Company is aware, none of the Selling Shareholders will become connected persons to the Company.

Shareholder Structure	Immediately before the date of the First Closing		Immediately after the date of the First Closing		Immediately after the date of the Second Closing		Immediately after the date of the Third Closing subject to the 30% Threshold		Assuming full conversion of the Convertible Notes under the 30% Limitation		Immediately after the date of the Fourth Closing subject to the 30% Threshold	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
China National Computer Software & Technology Service Corporation (Hong Kong) Limited	195,315,173	17.93%	195,315,173	16.28%	195,315,173	15.98%	195,315,173	12.56%	195,315,173	9.44%	195,315,173	8.53%
Far East Holdings International Limited	138,989,822	12.76%	138,989,822	11.58%	138,989,822	11.37%	138,989,822	8.93%	138,989,822	6.72%	138,989,822	6.07%
Greater Pacific Capital Partners, LP	119,268,639	10.95%	119,268,639	9.94%	119,268,639	9.76%	119,268,639	7.67%	119,268,639	5.76%	119,268,639	5.21%
Deep Bright Limited	50,000,000	4.59%	50,000,000	4.17%	50,000,000	4.09%	50,000,000	3.21%	50,000,000	2.42%	50,000,000	2.18%
Directors												
Dr. Chen Yuhong	44,420,136	4.08%	44,420,136	3.70%	44,420,136	3.63%	44,420,136	2.86%	44,420,136	2.15%	44,420,136	1.94%
Dr. Cui Hui	20,000,000	1.84%	20,000,000	1.67%	20,000,000	1.64%	20,000,000	1.29%	20,000,000	0.97%	20,000,000	0.87%
Dr. Tang Zhenming	11,747,765	1.08%	11,747,765	0.98%	11,747,765	0.96%	11,747,765	0.76%	11,747,765	0.57%	11,747,765	0.51%
Mr. Wang Hui	9,237,838	0.85%	9,237,838	0.77%	9,237,838	0.76%	9,237,838	0.59%	9,237,838	0.45%	9,237,838	0.40%
Mr. Zeng Zhijie	300,000	0.03%	300,000	0.03%	300,000	0.02%	300,000	0.02%	300,000	0.01%	300,000	0.01%
Subscribers								0.00%	514,033,811	24.84%	514,033,811	22.45%
Public												
The Selling Shareholders*			110,906,250	9.24%	133,087,500	10.89%	466,525,191	29.99%	466,525,191	22.54%	686,720,506	29.99%
Public Shareholders	499,797,941	45.89%	499,797,941	41.65%	499,797,941	40.89%	499,797,941	32.13%	499,797,941	24.15%	499,797,941	21.83%
	499,797,941	45.89%	610,704,191	50.89%	632,885,441	51.78%	966,323,132	62.12%	966,323,132	46.69%	1,186,518,447	51.82%
TOTAL	**1,089,077,314**	**100.00%**	**1,199,983,564**	**100.00%**	**1,222,164,814**	**100.00%**	**1,555,602,505**	**100.00%**	**2,069,636,316**	**100.00%**	**2,289,831,631**	**100.00%**
The Selling Shareholders												
Interactive NewSky Limited			22,181,249	1.85%	26,617,499	2.18%	93,305,035	6.00%	93,305,035	4.51%	137,344,096	6.00%
IDG Technology Venture Investment III, L.P.			18,907,235	1.58%	22,688,682	1.86%	79,532,953	5.11%	79,532,953	3.84%	117,071,727	5.11%
BlueRun Ventures, L.P.			18,578,150	1.55%	22,293,780	1.82%	78,148,660	5.02%	78,148,660	3.78%	115,034,062	5.02%
Crosslink Ventures V, L.P.			6,985,538	0.58%	8,382,645	0.69%	29,384,541	1.89%	29,384,541	1.42%	43,253,756	1.89%
Offshore Crosslink Ventures V Unit Trust			860,416	0.07%	1,032,499	0.08%	3,619,323	0.23%	3,619,323	0.17%	5,327,608	0.23%
Crosslink Bayview V, LLC			263,773	0.02%	316,528	0.03%	1,109,558	0.07%	1,109,558	0.05%	1,633,259	0.07%
Crosslink Crossover Fund V, LP			4,366,777	0.36%	5,240,133	0.43%	18,368,772	1.18%	18,368,772	0.89%	27,038,652	1.18%
Long Bridge Limited			12,642,264	1.05%	15,170,716	1.24%	53,179,460	3.42%	53,179,460	2.57%	78,279,643	3.42%
Gao Jian			1,976,039	0.16%	2,371,247	0.19%	8,312,173	0.53%	8,312,173	0.40%	12,235,437	0.53%
Happy Sunflower Limited			1,975,446	0.16%	2,370,536	0.19%	8,309,680	0.53%	8,309,680	0.40%	12,231,768	0.53%
Wiseking Venture Limited			3,160,714	0.26%	3,792,857	0.31%	13,295,488	0.85%	13,295,488	0.64%	19,570,828	0.85%
Rich Harvest Worldwide Limited			1,975,446	0.16%	2,370,536	0.19%	8,309,680	0.53%	8,309,680	0.40%	12,231,768	0.53%
New Snow Ventures Limited			3,950,893	0.33%	4,741,071	0.39%	16,619,360	1.07%	16,619,360	0.80%	24,463,535	1.07%
Option Holders			7,536,997	0.63%	9,044,397	0.74%	31,704,246	2.04%	31,704,246	1.53%	46,668,340	2.04%
Lilong Ventures Limited			5,545,313	0.46%	6,654,375	0.54%	23,326,261	1.50%	23,326,261	1.13%	34,336,027	1.50%
TOTAL			**110,906,250**	**9.24%**	**133,087,500**	**10.89%**	**466,525,191**	**29.99%**	**466,525,191**	**22.54%**	**686,720,506**	**29.99%**

* As at the Latest Practicable Date, none of the Selling Shareholders are connected persons to the Company and as far as the Company is aware, none of the Selling Shareholders will become connected persons to the Company.

Assuming full conversion of the Convertible Notes after the date of the Fourth Closing

Shareholder Structure	Immediately before the date of the First Closing		Immediately after the date of the First Closing		Immediately after the date of the Second Closing		Immediately after the date of the Third Closing subject to the 30% Threshold		Immediately after the date of the Fourth Closing subject to the 30% Threshold		Assuming full conversion of the Convertible Notes at Conversion Price of HK$2.00	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
China National Computer Software & Technology Service Corporation (Hong Kong) Limited	195,315,173	17.93%	195,315,173	16.28%	195,315,173	15.98%	195,315,173	12.56%	195,315,173	12.56%	195,315,173	11.69%
Far East Holdings International Limited	138,989,822	12.76%	138,989,822	11.58%	138,989,822	11.37%	138,989,822	8.93%	138,989,822	8.93%	138,989,822	8.32%
Greater Pacific Capital Partners, LP	119,268,639	10.95%	119,268,639	9.94%	119,268,639	9.76%	119,268,639	7.67%	119,268,639	7.67%	119,268,639	7.14%
Deep Bright Limited	50,000,000	4.59%	50,000,000	4.17%	50,000,000	4.09%	50,000,000	3.21%	50,000,000	3.21%	50,000,000	2.99%
Director												
Dr. Chen Yuhong	44,420,136	4.08%	44,420,136	3.70%	44,420,136	3.63%	44,420,136	2.86%	44,420,136	2.86%	44,420,136	2.66%
Dr. Cui Hui	20,000,000	1.84%	20,000,000	1.67%	20,000,000	1.64%	20,000,000	1.29%	20,000,000	1.29%	20,000,000	1.20%
Dr. Tang Zhenming	11,747,765	1.08%	11,747,765	0.98%	11,747,765	0.96%	11,747,765	0.76%	11,747,765	0.76%	11,747,765	0.70%
Mr. Wang Hui	9,237,838	0.85%	9,237,838	0.77%	9,237,838	0.76%	9,237,838	0.59%	9,237,838	0.59%	9,237,838	0.55%
Mr. Zeng Zhijie	300,000	0.03%	300,000	0.03%	300,000	0.02%	300,000	0.02%	300,000	0.02%	300,000	0.02%
Subscribers											115,809,100	6.93%
Public												
The Selling Shareholders*			110,906,250	9.24%	133,087,500	10.89%	466,525,191	29.99%	466,525,191	29.99%	466,525,191	27.91%
Public Shareholders	499,797,941	45.89%	499,797,941	41.65%	499,797,941	40.89%	499,797,941	32.13%	499,797,941	32.13%	499,797,941	29.90%
		45.89%	610,704,191	50.89%	632,885,441	51.78%	966,323,132	62.12%	966,323,132	62.12%	966,323,132	57.81%
TOTAL	**1,089,077,314**	**100.00%**	**1,199,983,564**	**100.00%**	**1,222,164,814**	**100.00%**	**1,555,602,505**	**100.00%**	**1,555,602,505**	**100.00%**	**1,671,411,605**	**100.00%**
The Selling Shareholders												
Interactive NewSky Limited			22,181,249	1.85%	26,617,499	2.18%	93,305,035	6.00%	93,305,035	6.00%	93,305,035	5.58%
IDG Technology Venture Investment III, L.P.			18,907,235	1.58%	22,688,682	1.86%	79,532,953	5.11%	79,532,953	5.11%	79,532,953	4.76%
BlueRun Ventures, L.P.			18,578,150	1.55%	22,293,780	1.82%	78,148,660	5.02%	78,148,660	5.02%	78,148,660	4.68%
Crosslink Ventures V, L.P.			6,985,538	0.58%	8,382,645	0.69%	29,384,541	1.89%	29,384,541	1.89%	29,384,541	1.76%
Offshore Crosslink Ventures V Unit Trust			860,416	0.07%	1,032,499	0.08%	3,619,323	0.23%	3,619,323	0.23%	3,619,323	0.22%
Crosslink Bayview V, LLC			263,773	0.02%	316,528	0.03%	1,109,558	0.07%	1,109,558	0.07%	1,109,558	0.07%
Crosslink Crossover Fund V, LP			4,366,777	0.36%	5,240,133	0.43%	18,368,772	1.18%	18,368,772	1.18%	18,368,772	1.10%
Long Bridge Limited			12,642,264	1.05%	15,170,716	1.24%	53,179,460	3.42%	53,179,460	3.42%	53,179,460	3.18%
Gao Jian			1,976,039	0.16%	2,371,247	0.19%	8,312,173	0.53%	8,312,173	0.53%	8,312,173	0.50%
Happy Sunflower Limited			1,975,446	0.16%	2,370,536	0.19%	8,309,680	0.53%	8,309,680	0.53%	8,309,680	0.50%
Wiseking Venture Limited			3,160,714	0.26%	3,792,857	0.31%	13,295,488	0.85%	13,295,488	0.85%	13,295,488	0.80%
Rich Harvest Worldwide Limited			1,975,446	0.16%	2,370,536	0.19%	8,309,680	0.53%	8,309,680	0.53%	8,309,680	0.50%
New Snow Ventures Limited			3,950,893	0.33%	4,741,071	0.39%	16,619,360	1.07%	16,619,360	1.07%	16,619,360	0.99%
Option Holders			7,536,997	0.63%	9,044,397	0.74%	31,704,246	2.04%	31,704,246	2.04%	31,704,246	1.90%
Lilong Ventures Limited			5,545,313	0.46%	6,654,375	0.54%	23,326,261	1.50%	23,326,261	1.50%	23,326,261	1.40%
TOTAL			**110,906,250**	**9.24%**	**133,087,500**	**10.89%**	**466,525,191**	**29.99%**	**466,525,191**	**29.99%**	**466,525,191**	**27.91%**

* As at the Latest Practicable Date, none of the Selling Shareholders are connected persons to the Company and as far as the Company is aware, none of the Selling Shareholders will become connected persons to the Company.

Shareholder Structure	Immediately before the date of the First Closing		Immediately after the date of the First Closing		Immediately after the date of the Second Closing		Immediately after the date of the Third Closing subject to the 30% Threshold		Immediately after the date of the Fourth Closing subject to the 30% Threshold		Assuming full conversion of the Convertible Notes under the 30% Limitation	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
China National Computer Software & Technology Service Corporation (Hong Kong) Limited	195,315,173	17.93%	195,315,173	16.28%	195,315,173	15.98%	195,315,173	12.56%	195,315,173	12.56%	195,315,173	9.44%
Far East Holdings International Limited	138,989,822	12.76%	138,989,822	11.58%	138,989,822	11.37%	138,989,822	8.93%	138,989,822	8.93%	138,989,822	6.72%
Greater Pacific Capital Partners, LP	119,268,639	10.95%	119,268,639	9.94%	119,268,639	9.76%	119,268,639	7.67%	119,268,639	7.67%	119,268,639	5.76%
Deep Bright Limited	50,000,000	4.59%	50,000,000	4.17%	50,000,000	4.09%	50,000,000	3.21%	50,000,000	3.21%	50,000,000	2.42%
Director												
Dr. Chen Yuhong	44,420,136	4.08%	44,420,136	3.70%	44,420,136	3.63%	44,420,136	2.86%	44,420,136	2.86%	44,420,136	2.15%
Dr. Cui Hui	20,000,000	1.84%	20,000,000	1.67%	20,000,000	1.64%	20,000,000	1.29%	20,000,000	1.29%	20,000,000	0.97%
Dr. Tang Zhenming	11,747,765	1.08%	11,747,765	0.98%	11,747,765	0.96%	11,747,765	0.76%	11,747,765	0.76%	11,747,765	0.57%
Mr. Wang Hui	9,237,838	0.85%	9,237,838	0.77%	9,237,838	0.76%	9,237,838	0.59%	9,237,838	0.59%	9,237,838	0.45%
Mr. Zeng Zhijie	300,000	0.03%	300,000	0.03%	300,000	0.02%	300,000	0.02%	300,000	0.02%	300,000	0.01%
Subscribers											514,033,811	24.84%
Public												
The Selling Shareholders*			110,906,250	9.24%	133,087,500	10.89%	466,525,191	29.99%	466,525,191	29.99%	466,525,191	22.54%
Public Shareholders	499,797,941	45.89%	499,797,941	41.65%	499,797,941	40.89%	499,797,941	32.13%	499,797,941	32.13%	499,797,941	24.15%
	499,797,941	45.89%	610,704,191	50.89%	632,885,441	51.78%	966,323,132	62.12%	966,323,132	62.12%	966,323,132	46.69%
TOTAL	**1,089,077,314**	**100.00%**	**1,199,983,564**	**100.00%**	**1,222,164,814**	**100.00%**	**1,555,602,505**	**100.00%**	**1,555,602,505**	**100.00%**	**2,069,636,316**	**100.00%**
The Selling Shareholders												
Interactive NewSky Limited			22,181,249	1.85%	26,617,499	2.18%	93,305,035	6.00%	93,305,035	6.00%	93,305,035	4.51%
IDG Technology Venture Investment III, L.P.			18,907,235	1.58%	22,688,682	1.86%	79,532,953	5.11%	79,532,953	5.11%	79,532,953	3.84%
BlueRun Ventures, L.P.			18,578,150	1.55%	22,293,780	1.82%	78,148,660	5.02%	78,148,660	5.02%	78,148,660	3.78%
Crosslink Ventures V, L.P.			6,985,538	0.58%	8,382,645	0.69%	29,384,541	1.89%	29,384,541	1.89%	29,384,541	1.42%
Offshore Crosslink Ventures V Unit Trust			860,416	0.07%	1,032,499	0.08%	3,619,323	0.23%	3,619,323	0.23%	3,619,323	0.17%
Crosslink Bayview V, LLC			263,773	0.02%	316,528	0.03%	1,109,558	0.07%	1,109,558	0.07%	1,109,558	0.05%
Crosslink Crossover Fund V, LP			4,366,777	0.36%	5,240,133	0.43%	18,368,772	1.18%	18,368,772	1.18%	18,368,772	0.89%
Long Bridge Limited			12,642,264	1.05%	15,170,716	1.24%	53,179,460	3.42%	53,179,460	3.42%	53,179,460	2.57%
Gao Jian			1,976,039	0.16%	2,371,247	0.19%	8,312,173	0.53%	8,312,173	0.53%	8,312,173	0.40%
Happy Sunflower Limited			1,975,446	0.16%	2,370,536	0.19%	8,309,680	0.53%	8,309,680	0.53%	8,309,680	0.40%
Wiseking Venture Limited			3,160,714	0.26%	3,792,857	0.31%	13,295,488	0.85%	13,295,488	0.85%	13,295,488	0.64%
Rich Harvest Worldwide Limited			1,975,446	0.16%	2,370,536	0.19%	8,309,680	0.53%	8,309,680	0.53%	8,309,680	0.40%
New Snow Ventures Limited			3,950,893	0.33%	4,741,071	0.39%	16,619,360	1.07%	16,619,360	1.07%	16,619,360	0.80%
Option Holders			7,536,997	0.63%	9,044,397	0.74%	31,704,246	2.04%	31,704,246	2.04%	31,704,246	1.53%
Lilong Ventures Limited			5,545,313	0.46%	6,654,375	0.54%	23,326,261	1.50%	23,326,261	1.50%	23,326,261	1.13%
TOTAL			**110,906,250**	**9.24%**	**133,087,500**	**10.89%**	**466,525,191**	**29.99%**	**466,525,191**	**29.99%**	**466,525,191**	**22.54%**

* As at the Latest Practicable Date, none of the Selling Shareholders are connected persons to the Company and as far as the Company is aware, none of the Selling Shareholders will become connected persons to the Company.

There is no public float restriction for the issue of Consideration Shares. The Company will be able to comply with the public float requirement under the Listing Rules for the issue of Consideration Shares.

INFORMATION ON THE SELLING SHAREHOLDERS

1. IDG Technology Venture Investment III, L.P.

   IDG Technology Venture Investments III, LP is an investment fund under the management of IDG Capital Partners. IDG Capital Partners is a China-focused investment firm with over US$2.5B capital under management. The firm's offices are located in Hong Kong, Beijing, Shanghai, Guangzhou, Shenzhen, Silicon Valley and Boston. The firm focuses on leading companies in consumer products, franchise services, internet and wireless application, new media, education, healthcare, new energy and advanced manufacturing sectors.

2. BlueRun Ventures, L.P.

   BlueRun Ventures, L.P. is an investment fund under the management of BlueRun Ventures. The firm primarily invests in early stage technology opportunities across sectors such as internet & media, mobile, enterprise software, semiconductors and components.

3. Crosslink Ventures V, L.P., Offshore Crosslink Ventures V Unit Trust, Crosslink Bayview V, L.L.C., and Crosslink Crossover Fund V, L.P.

   Crosslink Ventures V, L.P., Offshore Crosslink Ventures V Unit Trust, Crosslink Bayview V, L.L.C. and Crosslink Crossover Fund V, L.P. are investment funds under the management of Crosslink Capital. Crosslink Capital, is an early stage venture capital firm, which mainly invests in five principal sectors: energy technologies, communication services & infrastructure, computing & semiconductors, digital media & internet services, and software & business services.

4. Rich Harvest Worldwide Ltd., New Snow Ventures Limited, Wiseking Venture Limited, Long Bridge Limited, and Interactive NewSky Limited

   Wiseking Venture Limited (wholly owned by Mr. Jiang Xiaohai), Rich Harvest Worldwide Ltd., (wholly owned by Mr. Zhang Chunhua), New Snow Ventures Limited (wholly owned by Mr. Liang Hui), Long Bridge Limited (wholly owned by Mr. Jiang Xiaohai), Interactive NewSky Limited (wholly owned by Mr. Chen Bin), collectively 5 companies, are holding entities without material operating business. The ultimate beneficial owners of the 5 companies are independent third parties.

Shareholding interests of Selling Shareholders and Option Holders in the Target Company:

	As of the date of signing Share Purchase Agreement		As of the date of the Latest Practicable Date	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*
Interactive NewSky Limited	14,035,594	25.00%	11,228,475	20.00%
IDG Technology Venture Investment III, L.P.	9,571,121	17.05%	9,571,121	17.05%
BlueRun Ventures, L.P.	9,404,533	16.75%	9,404,533	16.75%
Crosslink Ventures V, L.P.	3,536,182	6.30%	3,536,182	6.30%
Offshore Crosslink Ventures V Unit Trust	435,555	0.78%	435,555	0.78%
Crosslink Bayview V, LLC	133,526	0.24%	133,526	0.24%
Crosslink Crossover Fund V, LP	2,210,527	3.94%	2,210,527	3.94%
Long Bridge Limited[1]	5,000,000	8.91%	6,399,700	11.40%
Gao Jian	1,000,300	1.78%	1,000,300	1.78%
Mao Ying	1,000,000	1.78%	–	0.00%
Happy Sunflower Limited[2]	–	0.00%	1,000,000	1.78%
Wiseking Venture Limited[1]	2,999,700	5.34%	1,600,000	2.85%
Rich Harvest Worldwide Limited	1,000,000	1.78%	1,000,000	1.78%
New Snow Ventures Limited	2,000,000	3.56%	2,000,000	3.56%
Option Holders[4]	3,815,339	6.80%	3,815,339	6.80%
Lilong Ventures Limited[3]	–	0.00%	2,807,119	5.00%
Total	**56,142,377**	**100.00%**	**56,142,377**	**100.00%**

Notes:

1. Pursuant to the Share Purchase Agreement, the transfer from Wiseking Venture Limited of 1,399,700 Target Common Shares to Long Bridge Limited prior to the First Closing.

2. Pursuant to the Share Purchase Agreement, the transfer from Mr. Mao Ying of all his Target Common Shares (1,000,000) to Happy Sunflower Limited, a British Virgin Islands company wholly owned by Mr. Mao Ying prior to the First Closing.

3. Pursuant to the Share Purchase Agreement, the transfer from Interactive NewSky Limited of 2,807,119 Target Common Shares to Lilong Venture Limited wholly owned by Ms. Li Jie prior to the First Closing, such that immediately following such transfer Mr. Chen Bin shall own 100% interests in Interactive NewSky Limited.

4. Option Holders are not the Target Company's shareholders of records. At closing, Option Holders will be treated the same as the Selling Shareholders for the purpose of recognising their rights to receive the allocation of the Aggregate Consideration (less exercise price and less withholding tax) since each option will be cashed out, cancelled, terminated and extinguished. Option holders are all the employees who are working for the Target Group and there are 177 Option Holders in total.

INFORMATION ON THE TARGET GROUP

Principal business

The Target Group is principally engaged in two kinds of services: (1) project based services, which are highly combined with the customers' whole life cycle of product research and development, such as business planning, product design (including User Interface (UI) and User Experience (UE) etc.), consultancy services, system architecture design, communication protocol design, various types of system interface (including mobile gateways, billing code, Business Operation Support System (BOSS), etc.), the development, testing, deployment, online, modification, and updates etc. of software; and (2) operation supporting services which are long-term combined with the customers' business development and daily operating, such as the mobile phone operating system support and terminal adapter, system routine maintenance, 7x24 technical support, troubleshooting, system upgrades, strategic planning for continuous business operations and marketing campaigns, channel integration, statistical analysis, layout adjustment, and community activities etc. The Target Group is also engaged in the mobile internet messaging, community Social Network Services (SNS), add-on multimedia applications, and innovative cross-network technologies and carrier grade platform to support 2G and 3G network.

The three principal subsidiaries of the Target Company are:

北京掌迅互動信息技術有限公司 (Beijing MMIM Interactive Technologies Co., Ltd): an entity for carrying out the main operation and business in mainland China. About 80% of the Target Group's business, is operated under this entity.

Mobile Instant Messaging and Information Services Limited: an entity for carrying out business in Hong Kong and Macau. Mobile MSN services are provided to the major mobile operators in Hong Kong.

北京掌中無限信息技術有限公司 (Beijing MMIM Info. Technology Co., Ltd): an entity holds the ICP ("Internet Content Provider") and SP ("Service Provider") licenses and carries out business that requires such licenses.

Financial information

The audited net book asset value of the Target Group for the financial year ended 31 December 2009 is approximately RMB113,410,856 (equivalent to approximately HK$131,429,894.50).

Set out below are the audited financial information of the Target Group for the financial years ended 31 December 2008 and 2009:

	Year ended 31 December 2008 *RMB'000*	**Year ended 31 December 2009** *RMB'000*
Profit/(loss) before taxation	(1,816) (equivalent to approximately HK$(2,104,531.20))	21,268 (equivalent to approximately HK$24,647,120.20)
Profit/(loss) for the year	2,545 (equivalent to approximately HK$2,949,356.80)	18,223 (equivalent to approximately HK$21,118,321.90)
Total comprehensive income/(loss)	(1,063) (equivalent to approximately HK$(1,231,892.50))	18,219 (equivalent to approximately HK$21,113,686.40)

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the provision of consulting-powered solutions, professional information technology outsourcing (ITO) and business process outsourcing (BPO), and human resources supply chain oriented training services, including information technology consulting, software development, application integration, software testing, software localization, construction and maintenance of business application platforms, IT outsourcing and operational process outsourcing.

The Board believes that the Acquisition will help the Company enter into the mobile internet market, widen the scopes of service and carry out the strategic diversification, in particular:

(1) Expanding its presence in the mobile internet industry to achieve a strategic diversification

According to the "2009-2010 Annual Report on the Development of China's Mobile Internet Industry (General Report)" issued by CCID[1] Consulting, in 2009, the income from mobile internet reached RMB 11.2 billion in China, representing a growth of 151.9% as compared with 2008. In 2009, the number of users of mobile internet in China reached 233 million, representing a growth of 18.9% as compared with 2008, the detailed performance of which is set out in the table below:

	2006	**2007**	**2008**	**2009**
Income (hundred million)	15.6	25.7	44.5	112.1
Income growth rate		64.7%	73.2%	151.9%
Number of users (hundred million)	1.26	1.52	1.96	2.33
User growth rate		20.6%	28.9%	18.9%

Note: 1. China Center for Information Industry Development

The rapid growth of the mobile internet industry in the recent years brings along prosperous developments in the related industries. In acquiring the Target Company, the Group is expected to be able to better implement its strategic diversification, widen its scope in both industry and services level, strengthen its profitability substantially. The Acquisition would result in a strategic diversification of the Group to enter into the telecommunication industry. While developing the existing business of the Group by concentrating on the advantageous resources of the existing business, the Enlarged Group will also provide services for designated and specialized businesses by taking advantage of the core technologies possessed by the Target Group on mobile internet aspect to ensure the continuous development of the Group.

(2) Outstanding performance of the Target Group

The principal business of the Target Group serves to satisfy the needs of its customer masses to use instant messages, social network and data communication product applications on their mobiles. The Target Group acts currently as the core supplier for the data business of a well-known domestic telecom operator, and has established a long-term and stable cooperation relationship with it. Coupled with the experience in large-scale user operation and the leading position in the development of user-end software on mobile phones and adaptive technologies, the Target Group is unrivaled as there is no competitor in respect of its projects on hand. The Target Company was awarded "Top 5 Fast Growing Company" by Internet Weekly in 2006 and "Red Herring 100 Winner Asia" by Red Herring in 2005 for its outstanding performance.

The Target Group possesses core advantages are as follows:

a. Management of the Target Group has developed strong background in technology and possessed strong R&D experience in mobile internet area for over 10 years: since the establishment of the Target Group, the Target Group has been engaged in the R&D of wireless instant messaging technology and other mobile internet related product/platform;

b. Capability to serve both individual customers and enterprise customers with high-quality software products as rated by the Target Group's customers: in addition to providing software products the Target Group also provides business planning and product design services to telecom operators;

c. The Target Group is providing telecom operators with a number of operation support services and deeply participating in their daily operation. Considering that the Target Group possesses: strong technology background as mentioned above, deep business relationship with telecom operators and rich experience for more than 3 years in serving telecom operators especially for their mobile internet business area, the Company believes that the Target Group has a privileged position in the field of mobile internet. Such privileged position plays an important role in the operation of mobile operators, handset equipment vendors and internet companies, which are leading to its rapid growth in performance. Mobile internet services to consumers are similar to the internet model namely, highly dependent on software, applications, and continuous operation, while adding another layer of complexity is the diversion of mobile handset terminals. The Target Group has strong operational support capabilities and has leading edge software technology, such as support all mainstream mobile platforms and support over 1,000 models of mobile handsets.

The Acquisition is expected to result in great impact on the Group's profit model and structure as a whole, which will in turn enhance the Group's profitability, in particular, the net profit level. Prior to 2009, the Target Group mainly accumulated inputs for technological R&D. The target Group has increased profits since 2009 after it commenced the provision of services for the designated and specialized business to its customers. The Target Company, through its wholly owned subsidiary (Beijing MMIM Interactive Technologies Co., Ltd.), has also maintained close co-operation and signed a long-term business contract on 22 January 2009 in connection with mobile technical services with a major customer (a service provider of a large domestic mobile operator). Pursuant to the contract, it is agreed that for the period between 1 February 2009 to 31 January 2012, Beijing MMIM Interactive Technologies Co., Ltd. shall receive a service fee of RMB57 million (equivalent to approximately HK$66,056,322) every year. The contract will expire on 31 January 2012, but will be automatically renewed until 31 January 2014 if none of the parties have objections.. The Target Group's past performance has not been subject to seasonal factor and as such no seasonal factor is expected to affect the Target Group's profit and cash flow for the second half of 2010. The Target Group has recorded an audited net profit margin of approximately 31% and 49% for the year ended 31 December 2009 and six months ended 30 June 2010, respectively. It is expected that the Acquisition would have a significant effect on the profit model and structure of the Group, which would result in an improvement in the profitability of the Group.

(3) Reasonable Price

The Company has, on a best effort basis, conducted a search of companies that are listed on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the New York Stock Exchange based on the principal business engaged and place of principal business which are similar to that of the Target Group. Based on such criteria, the Company has, to the best of our knowledge, identified 4 comparable companies (the "Comparables") which principally engaged in telecommunications value-added services in the PRC market which the company considers representing the closest comparison to the main business of the Target Group. Given the small number of Comparables principally engaged in similar business in the PRC to that of the Target Group, the Company considers that it is more reasonable to include all of the Comparables for reference regardless of other factors such as market capitalization. Given the Comparables are listed companies while the Target Company is a private company, the Company considers that there is no exact comparables and no absolute correlation between market capitalization size and the price earnings ratio of a company, hence, for reference purposes, the Company is of the view that it is more reasonable that the market capitalisation factor should be disregarded. Set out below are the price earnings ratios of the Comparables:

Company name	**Price earnings ratio**
China.com Inc. (SEHK:8006)	29.84 times
Tencent Holdings Ltd. (SEHK:700)	37.70 times
Beijing Bewinner Communications Co., Ltd (SZSE:002148)	73.76 times
Linktone Ltd. (NasdaqGM:LTON)	48.00 times
AVERAGE	**47.33 times**

Note: Price earnings ratios of the Comparables are sourced from Bloomberg as at 21 September 2010, being the last trading day immediately preceding the date of the Share Purchase Agreement.

Price earnings ratio of approximately 33.6 times based on the audited profits (after taxation and extraordinary items) for the year ended 31 December 2009 of the Target Group. The price earnings ratios of the Comparables range from approximately 29.84 times to approximately 73.76 times, with an average of approximately 47.33 times. Taking into account the Target Company is a privately owned company, value of the share of a privately owned company is usually less than an otherwise comparable share in a publicly owned company. Hence, a marketability discount of 25% has been considered as the discount for lack of marketability (with reference to a valuation guidelines issued by the European Private Equity & Venture Capital Association). Compared to the average price earnings ratios of the Comparables of approximately 35.5 times after deducting the marketability discount of 25%, the one in the present acquisition is similar. As a result, Directors are of the views that the price earnings ratio should be regarded as at a reasonable level. Meanwhile, since the acquisition price is linked with the performance of the Target Group, such structure is relatively safe.

The Directors are of the views that the price for the Acquisition is fair and reasonable taking the price earnings ratio into consideration and the basis behind.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

Prior to the Acquisition, the Company does not hold any interest in the Target Group. Assuming the Acquisition had been completed on 1 January 2010, the Company will own the entire equity interest in the Target Group, and the financial results of the Target Group as of that date will be consolidated into the Group's financial statements.

Net asset

As stated in the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV to this circular, upon the completion of the Acquisition, (i) the pro forma total assets of the Enlarged Group would be increased from approximately RMB1,615 million to approximately RMB2,095 million; (ii) the pro forma total liabilities of the Enlarged Group would be increased from approximately RMB752 million to approximately RMB1,081 million; and (iii) the consolidated net assets of the Enlarged Group would be increased from approximately RMB863 million to approximately RMB1,015 million. The increase in net assets is mainly due to the goodwill generated from the business combination and the net assets acquired from the Target Group.

Working capital

As stated in Appendix IV to this circular, upon the completion of the Acquisition, the consolidated net current assets of the Enlarged Group would be decreased from approximately RMB 399 million to approximately RMB289 million. The decrease in working capital is mainly due to the cash consideration paid for the Acquisition.

Earnings

As stated in Appendix IV to this circular, had the Acquisition had taken place on 1 January 2010, the consolidated net profit of the Enlarged Group for the six-month period ended 30 June 2010 would be increased from approximately RMB5 million to approximately RMB23.6 million.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

According to the description in the "2009-2010 Annual Report on the Development of China's Mobile Internet Industry (General Report)" of CCID Consulting: the mobile internet market of China from 2010 to 2012 will pose a rapid growing trend and it is predicted that industrial scale will top RMB15 billion in 2010 and RMB50 billion in 2012. It is predicted also that the number of China mobile internet users will keep growing rapidly from 2010 to 2012, reaching 0.3 billion and 0.4 billion in 2010 and 2012 respectively. The detailed performance of which is set out in the table below:

	2009	**2010**	**2011**	**2012**
Income(hundred million)	112.1	150.2	277.9	500.2
Income growth ratio	151.9%	34%	85%	80%
No. of users (hundred million)	2.33	3	3.5	4
User growth ratio	18.9%	28.8%	16.7%	14.3%

The rapid growth in scale of the domestic mobile internet market represents a huge development potential in future.

The acquisition of the Target Company provides the Group's development with a strategically sound joint, by which the Group has direct access to the mobile internet industry and it can broaden its business coverage. The Group is confronted with changes in IT business model driven by new technologies such as mobile internet, cloud computing, the internet of things, converged communications and the like. Through this Acquisition, the Group will accelerate its pace of change in business model.

The Group's development strategy in expanding into fast growing industries is to adapt to the changes in market.

The Acquisition enables the Group to expand into the telecommunication industry, plus the existing customers in various industries of the Group have system construction needs on mobile internet, this represents business opportunities to the Group that can be further expanded by accumulating the technological advantages and solutions experience of the Target Group through the Acquisition.

It is expected that expansion into the telecommunication industry is to be achieved simultaneously based on the Target Group's business development plans. The Group believes that Group's existing business team will accomplish to master the technological advantages and solutions experience of the Target Group and further expansion into the Group's other existing industries as mentioned above will be accomplished afterward.

The Group's future new growth drivers will center on two major fronts, namely business integration and expansion, and mobile internet and relevant converged industry deployment. In respect of business integration and expansion, the expected new growth drivers are as follows:

1. The Group will expand in industry exploration with focuses on expansion in fast-growing industries such as telecommunication, finance-similar[1], transportation[2] and logistics[3] and insurance[4], with an aim to development new customers.

2. The Group will expand in service catalogue to realize the Group's end to end business integration in key industries[5], and to reinforce customer cohesion for provision of new services. Among them, the managed service[6] of infrastructure is in its transition from the introduction period[7] towards the growth period[8] with long contract period of newly secured income and high customer cohesion.

3. The Group has over 600 customers in government industries. These customers have potential demands for construction of mobile internet solutions in view of their own business development and management enhancement. Through the Acquisition, the Group can make use of the Target Group's technological service ability and solutions experience to serve these customers and tap into local government and public service markets. The Group will utilize such customer resources, its technology accumulation and its delivery capacity nationwide, riding on the construction fervor of the "intelligent planet" and the "intelligent city", to develop the market of local government and public services, so as to secure its leading position in the industry.

Notes:

1. "Finance-similar industry" refers to an industry with its principal nature similar to the financial industry, equipped with a nationwide vertical managerial system and a monopoly position in the market. Enterprises in such industry possess sufficient financial resources, and are all interested in the financial industry by opening up payment business such as payment card and mobile payment while developing their own principal businesses.

2. "Transportation industry" refers to civil aviation, public transport and metro industries.

3. "Logistics industry" means to deliver goods, information and resources according to client's demand through systematic managerial processes by air, marine, railway, highways and other transport means.

4. "Insurance industry" refers to all industries related to insurance, which are including insurance governance industry, insurance associations insurance business institutions, social insurance companies, policy insurance companies, commercial insurance companies, insurance agencies, etc.

5. "End to end business integration in respect of major industries" refers to adding service categories to the major businesses, thus enriching the service catalogue.

   "End to end" refers to whole value-chain services provided for customers ranging from high end consultancy service to low end business process outsourcing service.

6. “Managed Service” is “a service management-oriented IT service”. This is a service that can continuously enhance the value of IT service and lower the cost of IT service.

   “Managed Services” products includes:

   - Software as a Service (SaaS)
   - Managed Integrated Access
   - Network Monitoring
   - Fault & Performance Management
   - Configuration Management
   - Incident Management
   - Back-office payments processing managed services

7. “Introduction Period” refers to the period immediately after the launch of a new product in the market.

8. “Growth Period” refers to the period when customers are familiar with the product and most of them are willing to buy that the market is expanding step by step.

The acquisition of the Target Company can strengthen the Group’s technology capacity in mobile internet application and enlarge its service catalogue. Aided with the resource advantages in customer and market of the Company, coupled with the Target Group’s strengths in mobile internet technology and product, immense synergic effects will be produced by active exploration in emerging realms of business such as mobile internet and the internet of things. On one hand, the Group can provide services to the Group’s existing customers by making use of the Target Group’s mobile internet technology and resolutions. The Group understands that most of the customers have potential demands for construction of mobile internet resolutions in view of their own business development and management enhancement. Through the Acquisition, the Group can make use of the Target Group’s technological service ability and resolutions to serve these customers.

On the other hand, externally, the Group can provide stronger market exploring ability for the Target Group; internally, the Group can provide the organizing ability and human resources support needed for large scale development for the Target Group.

In addition, in order to secure the fruit of acquisition of the Target Company, the Group has jointly formulated with the Target Company’s management team a detailed business development plan as well as a meticulous integration proposal, and will be implemented in aspects of culture, business, finance, assets, staff, customer, operational process, etc., so as to secure a smooth transition of the Target Company towards an affiliated enterprise under the Group.

The “Business Development Plan” is formulated according to the following aspects:

1. Market analysis

   (1) Industry and situation macro analysis

      1. Mobile internet industry chain analysis
      2. Mobile internet typical commercial mode analysis
      3. Mobile internet mainstream applied and supporting technologies analysis
      4. Mobile internet market potential and growth speed analysis in China

(2) Target client and market analysis

1. Strategy analysis of target client data business
2. Organization chain and key organization post analysis of target client data business
3. Target client data business competing dynamics

2. Mobile internet business accumulation for the Target Group

1. Business current situation analysis
2. Existing mobile internet products
3. Mobile internet service catalogue

3. Targets for the coming three years

1. Target positioning for the Enlarged Group
2. New technologies R&D
3. Change of commercial mode
4. Income predication

"Integration planning" is set up according to the following aspects:

1. Business integration

1. Determination of business direction
2. Confirmation of business targets

2. Organization and operation integration

1. Project management
2. Human resources management
3. Financial management
4. Commercial management
5. Administrative management
6. Technological management

The Group will conduct various types of communications and coordination with the Target Group and the Target Group will cooperate with the Group relevant business personnel in relation to specific projects, such that the Group business team will understand the Target Group's technological advantages and solutions experience, so as to substantiate the business development.

IMPLICATIONS UNDER THE LISTING RULES

The Acquisition constitutes a major acquisition for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements, and the approval of the Shareholders at the EGM.

None of the Shareholders will be required to abstain from voting under the Listing Rules at the EGM.

EGM

The EGM will be held at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen's Road Central, Hong Kong at 4 p.m. on November 29, 2010. A proxy form for use at the EGM is dispatched to you with this circular. Whether or not you intend to attend the EGM, you are requested to complete the proxy form and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or the principal place of business of the Company at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen's Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the Share Purchase Agreement has been entered into on normal commercial terms, and the terms and conditions therein are fair and reasonable so far as the Shareholders are concerned and in the interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant ordinary resolution as set out in the notice of the EGM.

GENERAL

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

Yours faithfully,
By Order of the Board
Chinasoft International Limited
CHEN Yuhong
Managing Director

1. FINANCIAL REPORTS

The audited consolidated financial statements and the independent auditor's report of the Group for the year ended 31 December 2009 are disclosed in the 2009 annual report of the Group published on 14 April 2010, on pages 46 to 136; for the year ended 31 December 2008 are disclosed in the 2008 annual report of the Group published on 30 April 2009, on pages 46 to 134; and for the year ended 31 December 2007 are disclosed in the 2007 annual report of the Group published on 8 April 2008, on pages 58 to 142. The unaudited consolidated financial statements of the Group for the six months ended 30 June 2010 are disclosed in the 2010 interim report of the Group published on 6 August 2010, on pages 2 to 14.

All of these consolidated financial statements have been published on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Group (http://www.icss.com.cn).

2. WORKING CAPITAL

The directors of the Group, after due and careful enquiry, are of the opinion that, in the absence of any unforeseen circumstances and after taking into account the internally generated funds, the available banking facility of the Group and the Acquisition, the Enlarged Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

3. INDEBTEDNESS

As at close of business on 30 September 2010 being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had redeemable preferred shares of RMB12 million and borrowings of RMB165 million, details of which are as follows:

	RMB Million
The Group	
Redeemable preferred shares	12
Bank loans unsecured	122
Loans from other financial institutions, unsecured	40
Other payable	3
	165
	177

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, none of the companies in the Enlarged Group had outstanding at the close of business on 30 September 2010 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

4. EVENTS AFTER THE END OF REPORTING PERIOD

On 22 September 2010, the Group entered into a Share Purchase Agreement with MMIM Technologies Inc. (the "Target Company") and its shareholders for the acquisition of 100% equity interest in the Target Company for an aggregate consideration of not more than US$91,000,000 (equivalent to approximately HK$709,800,000). The Target Company and its subsidiaries are principally engaged in the information technology, wireless instant messaging and software development. The aggregate consideration shall be satisfied by the Group as to the extent applicable US$36,400,000 (equivalent to approximately HK$283,920,000) in cash and; the balance of not more than US$54,600,000 (equivalent to approximately HK$425,880,000) by the issue and allotment of the consideration shares. The acquisition constitutes a major transaction under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements, and the approval of the Shareholders. Details of the above are set out in the announcement dated 24 September 2010 issued by the Group.

On 3 October 2010, the Company and the Subscriber entered into the Subscription Agreement relating to the issue and subscription of the 4.25% Convertible Notes due 2013 in an aggregate principal amount of RMB200 million. The estimated net proceeds will be applied (i) towards financing the cash consideration due under the share purchase agreement dated 22 September, 2010 between the Company, the Target Company and certain selling shareholders and (ii) with any remaining amount being used for general working capital. Details of the above are set out in the announcement dated 5 October 2010 issued by the Group.

The following is the text of the accountants' report on the Target Group received from East Asia Sentinel Limited, the Target Group's reporting accountants, for the purpose of inclusion in this circular.

East Asia Sentinel Limited
衛亞會計師事務所有限公司
Certified Public Accountants

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181 Johnston Road, Wanchai
Hong Kong

Tel : +852 2521 2328
Fax : +852 2525 9890
Email : letters@EastAsiaSentinel.com
www.EastAsiaSentinel.com

The Directors
Chinasoft International Limited

Dear Sirs,

We set out below our report on the financial information (the "Consolidated Financial Information") regarding MMIM Technologies Inc. (the "Target Company") and its subsidiaries and controlled special purpose entities (hereinafter collectively referred to as the "Target Group") which comprises the consolidated statements of financial position of the Target Group as at 31 December 2007, 2008, 2009 and at 30 June 2010, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010 (hereinafter collectively referred to as the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes. This Consolidated Financial Information is prepared for inclusion in the circular of Chinasoft International Limited (the "Company") dated (the "Circular") in connection with the acquisition of the entire equity interest in the Target Group.

The Target Company was incorporated in the Cayman Islands with limited liability on 30 August 2004. The principal activity of the Target Company is investment holding. As at the date of this report, the particulars of the Target Company's principal subsidiaries and controlled special purpose entities in the People's Republic of China (the "PRC") and Hong Kong are set out below:

Name	Place of incorporation/ registration and operations	Registered and paid up capital	Effective interests held by the Target Company		Principal activities
			Direct	Indirect	
北京掌迅互動信息技術有限公司 Beijing MMIM Interactive Technologies Co., Ltd.#	Beijing, the PRC	USD13,150,000	100%	–	Info. technology, wireless instant messaging and software development
Mobile Instant Messaging and Information Services Limited	Hong Kong	HK$1	100%	–	Provision of messaging and information services
北京掌中無限信息技術有限公司* Beijing MMIM Info. Technology Co., Ltd.#	Beijing, the PRC	RMB10,000,000	–	100%	Wireless instant messaging

* Controlled special purpose entity.

\# The English name is made for identification purpose only.

For the purpose of this report, the directors of the Target Group have prepared the consolidated financial statements (the "Underlying Financial Statements") of the Target Group for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"). No adjustments were considered as necessary to the Underlying Financial Statements of the Target Group in preparing our report for inclusion in the Circular.

The Consolidated Financial Information for the Relevant Periods as set out in this report has been prepared by the directors of the Target Group based on the Underlying Financial Statements of the Target Group.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Target Group are responsible for the preparation of the Consolidated Financial Information and the Underlying Financial Statements which give a true and fair view in accordance with IFRSs issued by the IASB. The directors of the Company are responsible for the contents of the Circular in which this report is included. In preparing the Consolidated Financial Information and the Underlying Financial Statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently and making accounting estimates that are reasonable in the circumstances.

For the comparative financial information (the "Comparative Financial Information") for the six months ended 30 June 2009 (the "Comparative Period"), the directors of the Target Group are responsible for the preparation and the presentation of the Comparative Financial Information in accordance with the accounting policies which are in conformity with IFRSs.

It is our responsibility to form an independent opinion, based on our examination, on the Consolidated Financial Information and to report our opinion to you. We have, for the purpose of this report, examined the Underlying Financial Statements used in preparing the Consolidated Financial Information and carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

For the Comparative Financial Information for the six months ended 30 June 2009, our responsibility is to express a conclusion on the Comparative Financial Information based on our review and to report our conclusion to you. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 "Engagements to Review Financial Statements" issued by the HKICPA. This Standard requires that we plan and perform the review to obtain moderate assurance about whether the Comparative Financial Information are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

OPINION AND REVIEW CONCLUSION

In our opinion, the Consolidated Financial Information, for the purpose of the Circular, gives a true and fair view of the state of affairs of the Target Group as at 31 December 2007, 2008 and 2009, and 30 June 2010 and of the results and cash flows of the Target Group for each of the Relevant Periods then ended.

Based on our review, which does not constitute an audit, nothing has come to our attention that caused us to believe that the Comparative Financial Information, for the purpose of this report, is not prepared in accordance with the accounting policies which are in conformity with IFRSs.

East Asia Sentinel Limited
Certified Public Accountants

So Kwok Keung Keith
Director
Practising Certificate No. P1724

Hong Kong

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	NOTE	6 months ended 30/6/2010 RMB'000	6 months ended 30/6/2009 RMB'000 (unaudited)	Year ended 31/12/2009 RMB'000	Year ended 31/12/2008 RMB'000	Year ended 31/12/2007 RMB'000
TURNOVER	6	43,415	20,815	59,185	21,263	9,085
COST OF SERVICES	8	(3,749)	(3,376)	(9,483)	(5,653)	(3,101)
GROSS PROFIT		39,666	17,439	49,702	15,610	5,984
OTHER REVENUES	7	868	830	1,355	1,830	822
SELLING AND ADMINISTRATIVE EXPENSES		(15,672)	(13,356)	(29,789)	(19,255)	(32,638)
PROFIT/(LOSS) BEFORE TAXATION	8	24,862	4,913	21,268	(1,815)	(25,832)
TAXATION	9(a)	(3,434)	(673)	(3,045)	4,360	(7)
PROFIT/(LOSS) FOR THE PERIOD/YEAR		21,428	4,240	18,223	2,545	(25,839)
OTHER COMPREHENSIVE (LOSS)/INCOME						
Exchange realignment		(91)	4	(4)	(3,608)	(889)
TOTAL COMPREHENSIVE INCOME/(LOSS)		21,337	4,244	18,219	(1,063)	(26,728)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at			
		6 months ended 30/6/2010	**Year ended 31/12/2009**	**Year ended 31/12/2008**	**Year ended 31/12/2007**
	NOTE	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	11	1,488	1,656	1,857	1,726
Intangible assets	12	36,231	36,293	912	1,036
Deferred tax assets	20	–	1,479	4,384	–
		37,719	39,428	7,153	2,762
CURRENT ASSETS					
Accounts and other receivables	13	7,086	3,683	3,959	2,927
Amounts due from directors	14	1,380	1,380	53	24
Amount due from a shareholder	15	–	–	–	14,538
Tax refundable	9(b)	–	–	17	–
Time deposits	16	–	–	35,729	–
Cash and cash equivalents	17	116,446	112,729	47,808	73,922
		124,912	117,792	87,566	91,411
CURRENT LIABILITIES					
Account and other payables	18	6,002	35,401	3,590	6,208
Receipts in advance	18	8,416	8,281	7,114	3,904
Amount due to a director	19	10	10	–	31
Tax payable	9(b)	1,561	117	–	7
		15,989	43,809	10,704	10,150
NET CURRENT ASSETS		108,923	73,983	76,862	81,261
NET ASSETS		146,642	113,411	84,015	84,023
CAPITAL AND RESERVES					
Share capital	21	2	2	2	2
Reserves	23	146,640	113,409	84,013	84,021
TOTAL EQUITY		146,642	113,411	84,015	84,023

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Exchange reserve	Share options reserve	Statutory reserve fund	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
FOR THE YEAR ENDED 31 DECEMBER 2007							
At 1 January 2007	1	64,561	(529)	463	–	(27,937)	36,559
Loss for the year	–	–	–	–	–	(25,839)	(25,839)
Currency translation differences	–	–	(889)	–	–	–	(889)
Total comprehensive loss	–	–	(889)	–	–	(25,839)	(26,728)
Issuance of Series C Preferred Shares	1	73,396	–	–	–	–	73,397
Recognition of equity-settled share-based payments	–	–	–	795	–	–	795
Total transactions with owners	1	73,396	–	795	–	–	74,192
At 31 December 2007	2	137,957	(1,418)	1,258	–	(53,776)	84,023
FOR THE YEAR ENDED 31 DECEMBER 2008							
At 1 January 2008	2	137,957	(1,418)	1,258	–	(53,776)	84,023
Profit for the year	–	–	–	–	–	2,545	2,545
Currency translation differences	–	–	(3,608)	–	–	–	(3,608)
Total comprehensive loss	–	–	(3,608)	–	–	2,545	(1,063)
Recognition of equity-settled share-based payments	–	–	–	1,055	–	–	1,055
Total transactions with owners	–	–	–	1,055	–	–	1,055
At 31 December 2008	2	137,957	(5,026)	2,313	–	(51,231)	84,015

	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Share options reserve RMB'000	Statutory reserve fund RMB'000	Accumulated losses RMB'000	Total RMB'000
FOR THE YEAR ENDED 31 DECEMBER 2009							
At 1 January 2009	2	137,957	(5,026)	2,313	–	(51,231)	84,015
Profit for the year	–	–	–	–	–	18,223	18,223
Currency translation differences	–	–	(4)	–	–	–	(4)
Total comprehensive income	–	–	(4)	–	–	18,223	18,219
Issuance of Common Shares	–	10,311	–	–	–	–	10,311
Recognition of equity-settled share-based payments	–	–	–	866	–	–	866
Total transactions with owners	–	10,311	–	866	–	–	11,177
At 31 December 2009	2	148,268	(5,030)	3,179	–	(33,008)	113,411
FOR THE SIX MONTHS ENDED 30 JUNE 2010							
At 1 January 2010	2	148,268	(5,030)	3,179	–	(33,008)	113,411
Profit for the period	–	–	–	–	–	21,428	21,428
Transfer to statutory reserve fund	–	–	–	–	215	(215)	–
Currency translation differences	–	–	(91)	–	–	–	(91)
Total comprehensive income	–	–	(91)	–	215	21,213	21,337
Recognition of equity-settled share-based payments	–	–	–	218	–	–	218
Common Shares repurchased and cancelled	–	(13,587)	–	–	–	–	(13,587)
Issuance of Common Shares	–	25,263	–	–	–	–	25,263
Total transactions with owners	–	11,676	–	218	–	–	11,894
At 30 June 2010	2	159,944	(5,121)	3,397	215	(11,795)	146,642

CONSOLIDATED STATEMENTS OF CASH FLOWS

	6 months ended 30/6/2010	**6 months ended 30/6/2009**	**Year ended 31/12/2009**	**Year ended 31/12/2008**	**Year ended 31/12/2007**
	RMB'000	*RMB'000* (unaudited)	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before taxation	24,862	4,913	21,268	(1,815)	(25,832)
Adjustments for:					
Amortisation of intangible assets	62	62	124	124	124
Depreciation of property, plant and equipment	394	438	762	713	1,339
Intangible assets written off	–	–	–	–	4,868
Written off of property, plant and equipment	2	6	21	25	4,203
Share-based payments compensations	218	433	866	1,055	795
Interest income	(868)	(830)	(1,355)	(1,813)	(822)
Operating profit/(loss) before working capital changes	24,670	5,022	21,686	(1,711)	(15,325)
(Increase)/decrease in account and other receivables	(3,403)	(2,169)	276	(1,032)	(2,338)
(Increase)/decrease in amounts due with directors	–	(508)	(1,307)	(60)	32
(Decrease)/increase in account and other payables	(4,136)	2,459	6,545	(2,618)	(2,161)
Increase in receipts in advance	135	867	1,167	3,210	3,211
Cash generated from/(used in) operations	17,266	5,671	28,367	(2,211)	(16,581)
Income tax (paid)/refunded	(511)	18	(7)	(48)	–
Interest received	868	830	1,355	1,813	822
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	17,623	6,519	29,715	(446)	(15,759)

	6 months ended 30/6/2010 *RMB'000*	6 months ended 30/6/2009 *RMB'000* (unaudited)	Year ended 31/12/2009 *RMB'000*	Year ended 31/12/2008 *RMB'000*	Year ended 31/12/2007 *RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property, plant and equipment	(228)	(204)	(576)	(869)	(623)
Cash inflows from acquisition of a controlled special purpose entity	–	57	57	–	–
Change in time deposit	–	35,729	35,729	(35,729)	–
NET CASH (USED IN)/ GENERATED FROM INVESTING ACTIVITIES	(228)	35,582	35,210	(36,598)	(623)
CASH FLOWS FROM FINANCING ACTIVITIES					
Common shares repurchased and cancelled	(13,587)	–	–	–	–
Receipt from a shareholder	–	–	–	14,538	–
Issuance of preferred shares	–	–	–	–	58,858
NET CASH (USED IN)/ GENERATED FROM FINANCING ACTIVITIES	(13,587)	–	–	14,538	58,858
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	3,808	42,101	64,925	(22,506)	42,476
EFFECT ON FOREIGN EXCHANGE RATE CHANGES	(91)	–	(4)	(3,608)	(889)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/YEAR	112,729	47,808	47,808	73,922	32,335
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	116,446	89,909	112,729	47,808	73,922
ANALYSIS OF THE CASH AND CASH EQUIVALENTS					
Cash and banks balances	116,446	89,909	112,729	47,808	73,922

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

MMIM Technologies Inc. (the "Target Company") is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands on 30 August 2004. The registered office of the Target Company is located at Soctia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands. The principal place of business of the Target Company and its subsidiaries and controlled special purpose entities (hereinafter collectively referred as the "Target Group") is located at 4th Floor, Oriental Place, No.9 East Dong Fong Road, North Dong Sanhuan Road, Chaoyang District, Beijing, the People's Republic of China (the "PRC").

The principal activity of the Target Company is investment holding. Particulars of the Target Company's principal subsidiaries and controlled special purpose entity in the PRC and Hong Kong are set out below:

Name	Place of incorporation/ registration and operations	Registered and paid up capital	Effective interests held by the Target Company Direct	Effective interests held by the Target Company Indirect	Principal activities
北京掌迅互動信息技術有限公司 Beijing MMIM Interactive Technologies Co., Ltd.#	Beijing, the PRC	USD13,150,000	100%	–	Info. technology, wireless instant messaging and software development
Mobile Instant Messaging and Information Services Limited	Hong Kong	HK$1	100%	–	Provision of messaging and information services
北京掌中無限信息技術有限公司* Beijing MMIM Info. Technology Co., Ltd. ("MMIM Info")#	Beijing, the PRC	RMB10,000,000	–	100%	Wireless instant messaging

* Controlled special purpose entity.

\# The English name is made for identification purpose only.

The controlled special purpose entity is owned by PRC nationals (the "Registered Shareholders"), who are also the directors of the Target Company. To comply with the laws and regulations of the PRC that prohibit or restrict foreign ownership of companies to provide value-added telecommunications services, which include wireless instant messaging, the Target Group conducts its wireless instant messaging services through the controlled special purpose entities, the entities legally-owned by certain Registered Shareholders, who are the PRC nationals.

Pursuant to various contractual arrangements, the Target Group is responsible for operating the business of the controlled special purpose entity and has the exclusive right to govern the financial and operating policies.

These contractual agreements include:

(a) Exclusive service agreement. Under the agreement, the Target Group is the provider of technical and consulting service to MMIM Info. In return, MMIM Info is required to pay service fees to the Target Group for the technical and consulting services it receives. The Target Group is entitled to receive service fees at a fixed percentage of the net income of MMIM Info. The exclusive service agreement is in force until 2015.

(b) Exclusive share option agreement. Under this agreement, the Target Group has the option to acquire 100% equity interest in MMIM Info for a purchase price equalled to the registered capital of MMIM Info or a proportionate amount thereof, or such higher price as required under the PRC laws at the time of such purchase.

(c) Share pledge agreement. The Registered Shareholders have pledged their equity interest in MMIM Info to the Target Group to secure the performance of the exclusive service agreement and exclusive share option agreement between MMIM Info and the Target Group.

The above contractual arrangements will remain unchanged after the Acquisition.

The Registered Shareholders are required under their contractual arrangements with the Target Group to transfer their interest in the controlled special purpose entity to the Target Group or the Target Group's designee upon the Target Group's request, provided that such transfer does not violate PRC laws or regulations. As such, the Target Group is the primary beneficiary of the controlled special purpose entity.

As at 31 December 2007, 2008, 2009 and at 30 June 2010, the Target Group has provided loans totalling RMB10,000,000 (2008: RMB10,000,000) to the Registered Shareholders to finance their investments in the controlled special purpose entity. Under the loan agreements, the Registered Shareholders have conferred on the Target Group the voting rights to vote on all matters in relation to the management and operation of MMIM Info. These agreements will be terminated in 2015 and 2016.

As at 31 December 2007, 2008, 2009 and at 30 June 2010, the Registered Shareholders who have been provided with loans of RMB10,000,000 for the investments in the controlled special purpose entity are the directors of the Target Group. The direct equity interest in the controlled special purpose entity has been pledged as collateral for the loans and when permitted under the PRC laws, the loans are to be repaid by transferring the direct equity interest in this entity to the Target Group.

2. BASIS OF PREPARATION

The consolidated financial information of the Target Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which also include all applicable individual IFRS, International Accounting Standards ("IAS") and Interpretations ("Ints") issued by the International Accounting Standards Board. The consolidated financial information have been prepared under the historical cost convention.

The consolidated financial information are presented in the Chinese Yuan, or Renminbi ("RMB"), and rounded to the nearest thousand, unless otherwise stated. The preparation of consolidated financial information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Target Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial information are disclosed in note 4.

(a) New and amended standards adopted by the Target Group

The IASB issued a number of new/revised standards, amendments to standards and interpretation which are effective and relevant to the Target Group during the Relevant Periods and the Comparative Period. The Target Group has adopted these new or amended standards and interpretations at their respective effective dates. The adoption of these new standards, amendments to standards and interpretations has had no material impact on the Target Group.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Target Group

Certain new standards, amendments and interpretations to existing IFRSs (collectively, the 'Amendments') have been published that are mandatory for the Target Group's accounting periods beginning on or after 1 January 2010. Some of the Amendments are relevant and applicable to the Target Group; however, they have not been early adopted in this consolidated financial information. The Target Group has commenced, but not yet completed, an assessment of the impact of the applicable Amendments on its results of operations and financial positions. The directors are of the view that the impact on the consolidated financial information would not be significant other than certain additional disclosures.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial information are set out below. These policies have been consistently applied to all the years/period presented, unless otherwise stated.

(a) Consolidation

The consolidated financial information includes the financial information of the Target Company and its subsidiaries and controlled special purpose entities made up to 30 June/31 December.

Subsidiaries and controlled special purpose entities

Subsidiaries are all entities (including controlled special purpose entities) over which the Target Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Target Group controls another entity. Controlled special purpose entities are entities over which the Target Group has the power to govern their financial and operating policies.

Subsidiaries and controlled special purpose entities are fully consolidated from the date on which control is transferred to the Target Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Target Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Target Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Target Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Target Group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries and controlled special purpose entities have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial information of each of the Target Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). For the purposes of presenting the consolidated financial information to facilitate financial analysis by shareholders, the assets and liabilities of the Target Group's foreign operations are translated into Renminbi, which is the Target Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

(iii) Target Group entities

The results and financial position of all the Target Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities presented at the end of reporting period are translated at the closing rate at the date of that consolidated statement of financial position;

– income and expenses for each consolidated statement of comprehensive income presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting exchange differences are recognised as a separate component of equity.

(c) Goodwill

Goodwill arising on the acquisition of subsidiaries and controlled special purpose entities represents the excess of the cost of the business combination over the Target Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated statement of financial position as an "intangible asset". Goodwill is initially measured at cost and subsequently carried at cost less accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Target Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Target Group's cash-generating units ("CGUs"), or Target Groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Target Group are assigned to those units or Target Groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (Target Group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGUs (Target Group of CGUs) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a CGUs (Target Group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGUs retained.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the consolidated statement of comprehensive income during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost or revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Leasehold improvements	Over the lease terms
Office and computer equipment	3 to 5 years with 10% residual value
Computer software	3 to 10 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amounts.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated statement of comprehensive income.

(e) Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

(f) Impairment of investments in subsidiaries, controlled special purpose entities and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Impairment testing of the investments in subsidiaries and controlled special purpose entities is required upon receiving dividends from these investments if the dividend exceeds the profit of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(g) Receivables

Receivables including accounts and other receivables, amount due from related parties are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Target Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against other income in the consolidated statement of comprehensive income.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(i) Accounts and other payables

Accounts and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(j) Share capital

Common shares and preferred shares are classified as equity.

Upon repurchase of the Target Company's own shares, the issued share capital of the Target Company is reduced by the nominal value thereof. The premium payable on repurchase is charged against the Target Company's share premium account.

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Target Group and the amount of revenue can be measured reliably.

(i) Service income is recognised when the service is rendered and on the basis of stage of completion of each individual project, provided that the costs involved can be measured reliably. The stage of completion of a transaction is established by reference to the costs incurred to date as compared to the estimated total costs under the transaction.

(ii) Interest income is recognised on a time-proportion basis using the effective interest method.

(iii) Other income is recognised on an accrual basis.

(l) Employee benefits

(i) Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Target Group participate in various defined contribution retirement benefit plans administrated by the relevant municipal and provincial governments in the PRC under which the Target Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Target Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Target Group in independently administrated funds managed by the PRC government.

The Target Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(ii) Share-based compensations

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share options reserve within equity. The fair value is measured at the grant date using the Black Scholes pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the reporting period(s) of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share options reserve. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that would vest (with a corresponding adjustment to the share options reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Group's shares. The equity amount is recognised in the share options reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(m) Income tax

The tax expense for the year/period comprises current income tax and deferred tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Target Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and controlled special purposed entities, except where the timing of the reverse of the temporary differences is controlled by the Target Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(n) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are charged in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

(o) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided regularly to the Target Group's chief operating decision-makers for the purpose of allocation resources to, and assessing performance of, the Target Group's various lines of business and geographical locations.

(p) Related parties

For the purpose of these consolidated financial information, related party includes a person and entity as defined below:

(a) A person or a close member of that person's family is related to the Target Group and the Target Company if that person:

(i) is a member of the key management personnel of the Target Group and the Target Company or of a parent of the Target Group and the Target Company;

(ii) has control over the Target Group and the Target Company; or

(iii) has joint control or significant influence over the reporting entity or has significant voting power in it.

(b) An entity is related to the Target Group and the Target Company if any of the following conditions applies:

(i) the entity and the Target Group and the Target Company are members of the same Target Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) either entity is an associate or joint venture of the other entity (or of a member of a Target Group of which the other entity is a member).

(iii) both entities are joint ventures of a third entity.

(iv) either entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group and the Target Company or an entity related to the Target Group and the Target Company. If the reporting entity is itself such a plan, the sponsoring employers are also related to the plan.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant voting power in the entity.

(q) Events after the reporting period

Events after the reporting period provide additional information about the Target Group's position at the reporting period end or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial information. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial information when material.

4. CRITICAL JUDGMENT IN APPLYING POLICIES

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within twelve months after the Relevant Periods are discussed below.

(a) Income taxes and deferred taxation

The Target Group is subject to income taxes in several jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) Impairment of intangible assets

The Target Group tests annually whether the intangible assets have suffered any impairment in accordance with IAS 36. The recoverable amounts have been determined based on fair value less costs to sell calculations. These calculations require the use of estimates. In determining the fair value less costs to sell, expected cash flows generated by the rights are discounted to their present value, which requires significant judgment relating to the level of volume of air time being sold, selling price and amount of operating costs. The Target Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable assumptions and projections of sales volume, selling price and operating costs. Had the actual results been different from the management's estimate, the exclusive advertising agency rights might result in impairment.

(c) Project-based customised software development

Revenue from project-based customised software development is recognised under the percentage of completion method which requires estimations made by the management. The Target Group's management estimates the contract outcome by monitoring the stage of completion. Because of the nature of the activities, management reviews and revises the estimates of contract outcome for each contract as the contract progresses. Any revisions to estimates of contract outcomes would affect contract revenue recognition.

(d) Share-based payments compensations

Following the requirements set under IFRS 2 'Share-based Payment', the Target Group has to account for share options granted to the Target Group's employees and business consultants based on their estimated fair value on the grant date. The estimated fair value is calculated based on the Black-Scholes pricing model using assumptions and estimates that the Target Group believes are reasonable. The use of different assumptions and estimates in the Black-Scholes pricing model could produce materially different estimated fair values for share options and related expenses.

(e) Impairment of goodwill

The Target Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3(c). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations required the use of estimates. When value-in-use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

5. FINANCIAL RISKS MANAGEMENT

The Target Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, cash flow and fair value interest rate risk. The Target Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance. The management monitors and manages the financial risks through internal risk assessment which analyses exposures by the degree and magnitude of risks.

(a) Foreign currency risk

Foreign exchange risk arises when future commercial transactions, assets and liabilities are denominated in a currency that is not the functional currency of the Target Group. The Target Group has minimal exposure to foreign currency exchange rate risk as transactions are mainly denominated in Renminbi. Accordingly, no sensitivity analysis is presented.

(b) Credit risk

The Target Group's credit risk is primarily attributable to accounts and other receivables, amounts due from directors and bank balances.

The Target Group has no significant credit risk on accounts and other receivables because the Target Group has policies in place for the control and monitoring of its credit risk.

In respect of accounts receivable, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payment when due and current ability to pay, and take into account information specific to the customer. The Target Group does not obtain collateral from customers. In the opinion of the directors, the default risk is considered to be low.

The directors are of the opinion that the credit risk of the amounts due from related parties is low because these related parties have high credit quality and no past default history.

The credit risk on liquid funds in banks is limited because the counterparties are reputable and creditworthy banks.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset at the end of reporting period.

(c) Liquidity risk

The Target Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. Accordingly, the directors are of the opinion that the Target Group does not have any significant liquidity risk.

The table below analyses the Target Group's financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	At 30/6/2010	**At 31/12/2009**	**At 31/12/2008**	**At 31/12/2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 year				
– Accounts and other payables	6,002	10,138	3,590	6,208
– Amount due to a director	10	10	–	31
	6,012	10,148	3,590	6,239

(d) Cash flow and fair value interest rate risks

The Target Group's exposure to the interest-rate risk arises from its bank deposits. These bank deposits bear interests at variable rates varied with the then prevailing market condition.

The Target Group currently does not have an interest rate hedging policy and will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2007, if interest rates at the date had been 100 basis points higher/lower with all other variables held constant, the Target Group's loss before income tax would have been decreased/increased by RMB739,000.

As at 31 December 2008, 2009 and at 30 June 2010, if interest rates at the date had been 50 basis points higher/lower with all other variables held constant, the Target Group's profit before income tax would have been increased/decreased by RMB414,000, RMB564,000 and RMB582,000 respectively. The Target Group is not exposed to any significant fair value interest rate risk.

(e) Fair value estimation

The carrying values less impairment provision of other receivables, other payables, as well as amounts due from/to related parties approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Target Group for similar financial instruments, unless the effect of discounting is immaterial.

6. TURNOVER

	6 months ended 30/6/2010 *RMB'000*	6 months ended 30/6/2009 *RMB'000* (unaudited)	Year ended 31/12/2009 *RMB'000*	Year ended 31/12/2008 *RMB'000*	Year ended 31/12/2007 *RMB'000*
Service fee income	43,415	20,815	59,185	21,263	9,085

The increase in service fee income from RMB21,263,000 in 2008 to RMB59,185,000 in 2009 is mainly because the Target Group has entered into a non-cancellable service contract with a third party at the beginning of 2009, which generated RMB42,750,000 service fee income in 2009.

7. OTHER REVENUES

	6 months ended 30/6/2010 *RMB'000*	6 months ended 30/6/2009 *RMB'000* (unaudited)	Year ended 31/12/2009 *RMB'000*	Year ended 31/12/2008 *RMB'000*	Year ended 31/12/2007 *RMB'000*
Bank interest income	868	830	1,355	1,813	822
Sundry income	–	–	–	17	–
	868	830	1,355	1,830	822

8. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been arrived at after charging:

	6 months ended 30/6/2010 *RMB'000*	6 months ended 30/6/2009 *RMB'000* (unaudited)	Year ended 31/12/2009 *RMB'000*	Year ended 31/12/2008 *RMB'000*	Year ended 31/12/2007 *RMB'000*
Amortisation of intangible assets	4,782	62	9,564	124	124
Auditors' remuneration					
– Current	7	–	74	39	36
– Under-provision in prior years	–	–	19	7	7
	7	62	93	46	43
Cost of services	3,749	3,376	9,483	5,653	3,101
Consultancy fee	43	50	100	129	80
Depreciation of property, plant and equipment	394	438	762	713	1,339
Operating leases expenses on premises	590	276	1,304	1,102	1,173
Written off of accounts receivable	–	–	568	–	–
Written off of intangible asset	–	–	–	–	4,868
Written off of property, plant and equipment	2	–	21	25	4,203
Staff cost (excluding directors' emoluments)					
– Salaries, bonus and allowance *(note)*	12,384	7,544	20,802	9,898	10,327
– Share-based payments compensations	175	266	532	655	444

Note: The increase in salaries, bonus and allowance from RMB9,898,000 in 2008 to RMB20,802,000 in 2009 is mainly because of increase in the number of technical staff.

9. TAXATION

(a) Taxation in the consolidated statements of comprehensive income represents:

	6 months ended 30/6/2010 *RMB'000*	6 months ended 30/6/2009 *RMB'000* (unaudited)	Year ended 31/12/2009 *RMB'000*	Year ended 31/12/2008 *RMB'000*	Year ended 31/12/2007 *RMB'000*
Current tax – Provision for the period/years					
– Hong Kong Profits Tax	–	–	133	24	7
– PRC Enterprise Income tax	1,955	2	7	–	–
Deferred taxation	1,479	671	2,905	(4,384)	–
Total tax expenses/(credit)	3,434	673	3,045	(4,360)	7

(b) Taxation in the consolidated statements of financial position presents:

	At 30/6/2010 *RMB'000*	At 31/12/2009 *RMB'000*	At 31/12/2008 *RMB'000*	At 31/12/2007 *RMB'000*
At the beginning of the period/year	117	(17)	7	–
Exchange difference	–	–	(1)	–
Provision for the period/year	1,955	140	24	7
Tax paid for the period/year	(511)	(6)	(47)	–
	1,561	117	(17)	7

Prior to the financial year ended 31 December 2008, Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits for the year. Since the financial year beginning on 1 January 2008, the applicable tax rate was reduced to 16.5%.

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2009 and 2010 as the Target Group did not generate assessable profits in Hong Kong during the period.

Taxation on profits derived in the PRC in which the subsidiaries and the controlled special purpose entities operate has been calculated at the rates of tax prevailing in the PRC, which is based on existing legislation, interpretations and practices in respect thereof.

The PRC Enterprise Income Tax for the year ended 31 December 2007 was 33%. Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries and controlled special purpose entities is 25% from 1 January 2008 onwards unless certain Target Group companies are subject to certain tax exemption arrangements as set out below.

Pursuant to an approval document issued by the Beijing Municipal Science & Technology Commission dated 7 August 2007 and subsequently renewed on 12 June 2009, Beijing MMIM Interactive Technologies Co., Ltd. 北京掌迅互動信息技術有限公司 ("MMIM Interactive"), a subsidiary of the Target Company, had been designated as an advanced technology enterprise and its income tax rate was reduced to 15% until June 2012.

Pursuant to an approval document issued by the State Bureau of Beijing Haidian District dated 7 August 2007 and subsequently renewed on 26 June 2009, Beijing MMIM Info. Technology Co., Ltd. 北京掌中無限信息技術有限公司, a controlled special purpose entity of the Target Company, has been designated as an advanced technology enterprise and its income tax rate was reduced to 15% until June 2012.

Reconciliation between tax expenses/(credit) and accounting profit/(loss) at applicable tax rates:

	6 months ended 30/6/2010 *RMB'000*	**6 months ended 30/6/2009** *RMB'000* (unaudited)	**Year ended 31/12/2009** *RMB'000*	**Year ended 31/12/2008** *RMB'000*	**Year ended 31/12/2007** *RMB'000*
Profit/(loss) before taxation	24,862	4,913	21,268	(1,815)	(25,832)
Tax on profit/(loss) before taxation at applicable tax rates	3,593	459	1,672	(1,153)	(10,217)
Tax effect of non-taxable income	(8,878)	(580)	(1,779)	(5,249)	(1,881)
Tax effect of non-deductible expenses	8,719	794	2,574	1,359	5,281
Government tax concession for the period	–	–	–	–	(20)
Others	–	–	–	(420)	–
Tax effect of unrecognised tax losses	–	–	578	1,103	6,844
Tax expenses/(credit)	3,434	673	3,045	(4,360)	7

10. DIRECTORS' REMUNERATION

Name of directors	**Directors' fee** *RMB'000*	**Salaries and other allowances** *RMB'000*	**Share-based payments compensations** *RMB'000*	**Total** *RMB'000*
For the year ended 31 December 2007				
Jiang Xiaohai	–	240	–	240
Mao Ying	–	180	90	270
Liang Hui	–	240	181	421
	–	660	271	931
For the year ended 31 December 2008				
Jiang Xiaohai	–	240	–	240
Mao Ying	–	180	90	270
Liang Hui	–	240	181	421
	–	660	271	931
For the year ended 31 December 2009				
Jiang Xiaohai	–	240	–	240
Mao Ying	–	120	78	198
Liang Hui	–	240	156	396
	–	600	234	834

Name of directors	**Directors' fee** *RMB'000*	**Salaries and other allowances** *RMB'000*	**Share-based payments compensations** *RMB'000*	**Total** *RMB'000*
For six months ended 30 June 2009 (unaudited)				
Jiang Xiaohai	–	120	–	120
Mao Ying	–	60	39	99
Liang Hui	–	120	78	198
	–	300	117	417
For six months ended 30 June 2010				
Jiang Xiaohai	–	180	–	180
Liang Hui	–	180	–	180
	–	360	–	360

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Office and computer equipment	Computer software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
COST				
At 1 January 2007	955	6,389	25	7,369
Additions	149	119	355	623
Written off on disposals	–	(4,749)	–	(4,749)
At 31 December 2007	1,104	1,759	380	3,243
Additions	438	298	133	869
Written off on disposals	–	(51)	–	(51)
At 31 December 2008	1,542	2,006	513	4,061
Additions	–	576	–	576
Acquisition of a controlled special purpose entity *(note 27)*	–	–	6	6
Written off on disposals	–	(38)	(6)	(44)
At 31 December 2009	1,542	2,544	513	4,599
Additions	–	80	148	228
Written off on disposals	–	(8)	–	(8)
At 30 June 2010	1,542	2,616	661	4,819
ACCUMULATED DEPRECIATION				
At 1 January 2007	286	434	4	724
Charge for the year	573	744	22	1,339
Written off on disposals	–	(546)	–	(546)
At 31 December 2007	859	632	26	1,517
Charge for the year	281	339	93	713
Written off on disposals	–	(26)	–	(26)
At 31 December 2008	1,140	945	119	2,204
Charge for the year	204	449	109	762
Written off on disposals	–	(23)	–	(23)
At 31 December 2009	1,344	1,371	228	2,943
Charge for the period	102	236	56	394
Written off on disposals	–	(6)	–	(6)
At 30 June 2010	1,446	1,601	284	3,331
CARRYING AMOUNT				
At 30 June 2010	96	1,015	377	1,488
At 31 December 2009	198	1,173	285	1,656
At 31 December 2008	402	1,061	394	1,857
At 31 December 2007	245	1,127	354	1,726

12. INTANGIBLE ASSETS

	Goodwill	Computer software	Total
	RMB'000	*RMB'000*	*RMB'000*
COST			
At 1 January 2007	–	6,195	6,195
Written off on disposals	–	(4,953)	(4,953)
At 31 December 2007 and 31 December 2008	–	1,242	1,242
Acquisition of a controlled special purpose entity *(note 27)*	35,505	–	35,505
At 31 December 2009 and 30 June 2010	35,505	1,242	36,747
ACCUMULATED AMORTISATION			
At 1 January 2007	–	167	167
Amortisation for the year	–	124	124
Written off on disposals	–	(85)	(85)
At 31 December 2007	–	206	206
Amortisation for the year	–	124	124
At 31 December 2008	–	330	330
Amortisation for the year	–	124	124
At 31 December 2009	–	454	454
Amortisation for the period	–	62	62
At 30 June 2010	–	516	516
CARRYING AMOUNT			
At 30 June 2010	35,505	726	36,231
At 31 December 2009	35,505	788	36,293
At 31 December 2008	–	912	912
At 31 December 2007	–	1,036	1,036

The carrying amounts of computer software as at the end of each reporting period represent the purchase costs of the domain names, the website portal, the tailored databases and systems, and the computer software relating to the wireless instant messaging services acquired by the Target Group for its business operations. The computer software has definite useful lives and is amortised on a straight-line basis over 10 years.

The goodwill of RMB35,505,000 arose from the acquisition of Beijing Interactive NewSky Limited ("Interactive NewSky") during the year ended 31 December 2009. The carrying amount of goodwill is allocated to the cash-generating units ("CGUs") of the Target Group's operations relating to the wireless instant messaging services.

For the purpose of impairment testing, the recoverable amount for the CGUs is determined based on its fair value less cost to sell or value-in-use calculations. The key assumption for the Target Group has been determined by the Target Group's management based on the future development of the instant messaging business acquired through the acquisition of Interactive NewSky. The directors are of the opinion that no impairment provision is required on goodwill for the year ended 31 December 2009 and six months ended 30 June 2010.

13. ACCOUNTS AND OTHER RECEIVABLES

	At 30/6/2010 *RMB'000*	At 31/12/2009 *RMB'000*	At 31/12/2008 *RMB'000*	At 31/12/2007 *RMB'000*
Accounts receivable	6,745	3,293	3,539	2,066
Deposit and other receivables	313	360	233	558
Maximum exposure to credit risk	7,058	3,653	3,772	2,624
Prepayments	28	30	187	303
	7,086	3,683	3,959	2,927

The carrying amounts of accounts and other receivables approximate their fair values as at 31 December 2007, 2008, 2009 and at 30 June 2010. The Target Group does not hold any collateral over these balances.

The ageing analysis of the accounts receivable, based on the invoice issue date, was as follows:

	At 30/6/2010 *RMB'000*	At 31/12/2009 *RMB'000*	At 31/12/2008 *RMB'000*	At 31/12/2007 *RMB'000*
Within 1 months	5,143	1,188	524	1,868
Within 1 to 3 months	745	808	556	168
More than 3 months	857	1,297	2,459	30
	6,745	3,293	3,539	2,066

Accounts receivable of RMB1,971,000, RMB2,119,000, RMB2,133,000 and RMB539,000 were past due but not impaired as of 30 June 2010, 31 December 2009, 31 December 2008 and 31 December 2007 respectively. These relate to a number of independent customers for whom there was no recent history of default. The ageing analysis of these accounts receivable is as follows:

	At 30/6/2010 *RMB'000*	At 31/12/2009 *RMB'000*	At 31/12/2008 *RMB'000*	At 31/12/2007 *RMB'000*
Less than 1 month past due	552	1,358	611	309
1 to 3 months past due	1,195	409	518	122
More than 3 months past due	224	352	1,004	108
	1,971	2,119	2,133	539

The carrying amounts of the accounts and other receivables are denominated in the following currencies:

	At 30/6/2010 *RMB'000*	At 31/12/2009 *RMB'000*	At 31/12/2008 *RMB'000*	At 31/12/2007 *RMB'000*
United States dollars	1	1	1	1
Hong Kong dollars	872	1,505	2,163	816
Renminbi	6,213	2,177	1,795	2,110
	7,086	3,683	3,959	2,927

14. AMOUNTS DUE FROM DIRECTORS

Name of directors	At 30/6/2010 *RMB'000*	At 31/12/2009 *RMB'000*	At 31/12/2008 *RMB'000*	At 31/12/2007 *RMB'000*
Liang Hui	–	–	38	–
Jiang Xiaohai	15	15	15	24
Mao Ying	1,365	1,365	–	–
	1,380	1,380	53	24

The maximum balance outstanding during the period/years:

Name of directors	6 months ended 30/6/2010 *RMB'000*	At 31/12/2009 *RMB'000*	At 31/12/2008 *RMB'000*	At 31/12/2007 *RMB'000*
Liang Hui	–	38	38	–
Jiang Xiaohai	15	15	24	409
Mao Ying	1,365	1,365	–	–

The amounts due are unsecured, interest-free, and repayable on demand.

The carrying amounts of the amounts due from directors approximate their fair values as at 31 December 2007, 2008, 2009 and at 30 June 2010, and are denominated in Renminbi. The amounts due do not contain impaired assets. The Target Group does not hold any collateral over these balances.

15. AMOUNT DUE FROM A SHAREHOLDER

The amount due is unsecured, interest-free, and repayable on demand. The amount was fully repaid by the shareholder in 2008.

The carrying amount of amount due from a shareholder approximates its fair values as at 31 December 2007, and was denominated in United States dollars. The amount due did not contain impaired assets. The Target Group did not hold any collateral over this balance.

16. TIME DEPOSITS

As at 31 December 2008, the time deposit was not pledged as security. The effective interest rate on bank deposit was 4.14%, and the deposit had an average maturity of six months. The time deposit was matured in 2009.

The carrying amount of bank deposit was denominated in Renminbi.

17. CASH AND CASH EQUIVALENTS

	At 30/6/2010 *RMB'000*	At 31/12/2009 *RMB'000*	At 31/12/2008 *RMB'000*	At 31/12/2007 *RMB'000*
Cash and bank balances	116,446	112,729	47,808	73,922
Maximum exposure to credit risk	116,375	112,616	47,725	73,880

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	At 30/6/2010 RMB'000	At 31/12/2009 RMB'000 (Note)	At 31/12/2008 RMB'000	At 31/12/2007 RMB'000
United States dollars	9,760	18,848	23,644	60,936
Renminbi	99,833	82,423	19,340	12,615
Hong Kong dollars	6,853	11,458	4,824	371
	116,446	112,729	47,808	73,922

Note:

The increase in cash and bank balance in 2009 is because of the release in time deposit (note 16).

18. ACCOUNTS AND OTHER PAYABLES AND RECEIPTS IN ADVANCE

	At 30/6/2010 RMB'000	At 31/12/2009 RMB'000	At 31/12/2008 RMB'000	At 31/12/2007 RMB'000
Accounts payable	2,985	5,702	1,981	1,030
Other payables *(note)*	3,017	29,699	1,609	5,178
	6,002	35,401	3,590	6,208
Receipts in advance	8,416	8,281	7,114	3,904
	14,418	43,682	10,704	10,112

The carrying amounts of the accounts and other payables and receipts in advance approximate their fair values and are denominated in Renminbi.

The ageing analysis of the accounts payable, based on the invoice issue date, was as follows:

	At 30/6/2010 RMB'000	At 31/12/2009 RMB'000	At 31/12/2008 RMB'000	At 31/12/2007 RMB'000
Within 1 months	6	698	404	515
1 to 3 months	580	689	65	515
More than 3 months	2,044	4,191	1,512	–
More than 12 months	355	124	–	–
	2,985	5,702	1,981	1,030

Note:

As at 31 December 2009, included in accruals and other payables amounting to RMB25,963,000 is the contingent consideration payable to the former owners of Beijing Interactive NewSky Limited as the consideration for acquisition of that entity (note 27). The amount is subsequently settled by the Target Group in 2010 by issuing 11,462,326 common shares of US$0.000005 each.

19. AMOUNT DUE TO A DIRECTOR

The amount due is unsecured, interest free, repayable on demand and is denominated in Renminbi.

The carrying amount of the amount due to a director approximates its fair value as at the end of each reporting period.

20. DEFERRED TAX ASSETS

Deferred income tax assets are calculated in full on temporary differences under the liability method using a principal taxation rate of 15%.

The movements on the deferred income tax assets in respect of tax losses recognised are as follows:

	RMB'000
At 1 January 2008	–
Charge for the year	4,384
At 31 December 2008	4,384
Charge for the year	(2,905)
At 31 December 2009	1,479
Charge for the period	(1,479)
At 30 June 2010	–

The Target Group has not recognised deferred tax assets in respect of the estimated tax losses for some subsidiaries and the controlled special purpose entities in the PRC as there is no evidence that future taxable income will be available. The subsidiaries and controlled special purpose entities in the PRC have the following respective estimated unused tax losses, which will expire in the following years/period:

	At 30/6/2010 *RMB'000*	**At 31/12/2009** *RMB'000*	**At 31/12/2008** *RMB'000*	**At 31/12/2007** *RMB'000*
Year				
2009	–	–	–	449
2010	1,511	1,511	1,511	14,795
2011	1,518	1,518	1,518	33,330
2012	4,476	4,476	4,476	–
2013	3,850	3,850	–	–
	11,355	11,355	7,505	48,574

21. SHARE CAPITAL

	Number of shares	Nominal amount *USD*
Authorised:		
Common Shares of US$0.000005 each		
At 1 January 2007, 31 December 2007, 31 December 2008, 31 December 2009 and at 30 June 2010	34,000,000	170
Series A Preferred Shares of US$0.000005 each		
At 1 January 2007, 31 December 2007, 31 December 2008, 31 December 2009 and at 30 June 2010	6,006,004	30
Series B Preferred Shares of US$0.000005 each		
At 1 January 2007, 31 December 2007, 31 December 2008, 31 December 2009 and at 30 June 2010	8,793,996	44
Series C Preferred Shares of US$0.000005 each		
At 1 January 2007	–	–
Additions during the year	10,526,316	53
At 31 December 2007, 31 December 2008, 31 December 2009 and at 30 June 2010	10,526,316	53

	Number of shares	Amount *USD*	Amount shown in the consolidated financial information *RMB*
Issued and fully paid:			
Common Shares of US$0.000005 each			
At 1 January 2007, 31 December 2007 and at 31 December 2008	13,000,000	65	524
Issuance of Common Shares	4,678,531	23	160
At 31 December 2009	17,678,531	88	684
Repurchases of Common Shares	(2,105,263)	(11)	(71)
Issuance of Common Shares	11,462,326	57	389
At 30 June 2010	27,035,594	134	1,002
Series A Preferred Shares of US$0.000005 each			
At 1 January 2007, 31 December 2008, 31 December 2009 and at 30 June 2010	6,006,004	30	242
Series B Preferred Shares of US$0.000005 each			
At 1 January 2007, 31 December 2008, 31 December 2009 and at 30 June 2010	8,759,124	44	354
Series C Preferred Shares of US$0.000005 each			
At 1 January 2007	–	–	–
Issuance of Preferred Shares	10,526,316	53	38
At 31 December 2007, 31 December 2008, 31 December 2009 and at 30 June 2010	10,526,316	53	386
Issued and fully paid:			
At 30 June 2010			1,984
At 30 December 2009			1,666
At 30 December 2008			1,506
At 30 December 2007			1,506

The holders of preferred shares of any series shall be entitled to receive dividends at the rate of 8% of the original issue price of each individual series of the preferred shares per annum. The issue prices of Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares are US$0.666, US$1.37 and US$0.95 per share respectively. The dividends are payable out of funds legally available therefor, prior and in preference to any dividends on the common shareholders, and shall be payable only when declared by the Board of Directors and non-cumulative.

No dividend shall be declared or paid to common shareholders of the Target Company until all dividends have been declared and paid to the preferred shareholders during any fiscal year of the Target Company, unless those dividends are payable solely to common shareholders. During the years/period, the directors did not recommend any payment of dividend.

The preferred shares are convertible into common shares of the Target Company at the option of the holders at any time without payment of any additional consideration; the preferred shares are also automatically converted if, in the event of the listing of the shares of the Target Company on any recognised Stock Exchange or upon the affirmative votes of 80% of the holders of the then outstanding preferred shares voting together on an as-if converted basis, or the holders of at least 67% of each of the then outstanding individual series of the preferred shares, voting separately as individual classes. Subject to adjustments in the event of share splits a combination, each preferred share of any series is convertible into one common share.

As a matter of general rights, each holder of preferred shares shall be entitled to such number of votes as equals the whole number of common shares into which such holder's collective preferred shares are convertible, and shall vote together with the holders of common shares and not as a separate class or series. In addition, the affirmative votes of eighty percent (80%) of the holders of the then outstanding preferred shares or sixty seven percent (67%) of each of the then outstanding Series A, B, and C preferred shares, voting separately as individual classes, shall be required to effect any matter that pertains to or affects: the rights of the preferred shares and preferred share holders; any merger, amalgamation, or restructuring that reduces the controlling interest of the existing shareholders of the Target Company; the voluntary dissolution of the Target Company or any entity of the Target Group; certain payment of dividend by the Target Company; the incurrence of any indebtedness in excess of US$100,000 by any entities in the Target Group; any loans by the Target Group to its directors or employees; any purchase of real property by the Target Group; any lease of real property by the Target Group for a term of more than two years or with payment obligations in excess of US$100,000 on an annualised basis; any purchase by the Target Group of any securities; any related party transaction that is not in the ordinary course of business with aggregate value that exceeds US$25,000; any change in the auditors of the Target Company; and any material change in the business nature of the Target Group.

Holders of preferred shares are entitled to remove from office and replace one of the members on the Board of Directors for each series of preferred shares and appoint a representative to attend all meetings of the Board of Directors in a non-voting, observer capacity and be entitled to notices of all meetings of Directors. In addition, collectively, the Directors so appointed by the series A, B, and C preferred shares may elect, remove from office and replace another member on the Board of Directors.

Upon any liquidation or dissolution of the Target Company, whether voluntary or involuntary, and before any distribution of surplus assets to the holders of common shares, an amount shall be paid with respect to each preferred share equal to the original issue price of the respective preferred shares.

In the event of any liquidation upon the sale or merger in which the valuation of the Target Company in such transaction is at least US$120,000,000 that is approved by the Board of Directors and holders of at least eighty percent (80%) of the then outstanding preferred shares or sixty seven percent (67%) of each of the then outstanding Series A, B, and C preferred shares, voting separately as individual classes, all of the holders of common shares and preferred shares are required to approve such liquidation and assist in effecting the disposal of their shares for the purpose of the liquidation.

Pursuant to a special resolution passed on 13 December 2007, the number authorised Preferred Shares increased from 14,800,000 to 25,326,316 by the creation of 10,526,316 Series C Preferred Shares of US$0.000005 each. By a special resolution passed on 20 December 2007, 10,526,316 Preferred Shares of US$0.000005 each were allotted and issued as fully paid at US$0.95 per share which resulting of a premium totalling RMB73,396,000.

On 16 January 2009, the Target Group acquired 100% equity interest in Beijing Interactive NewSky Limited ("Interactive NewSky") through Beijing MMIM Interactive Technologies Co., Ltd. ("MMIM Interactive"). Pursuant to a special resolution passed on 29 June 2009, 4,678,531 new common shares of US$0.000005 each in the Target Company were allotted and issued as fully paid at RMB2.204 each to Interactive NewSky Limited, the former shareholder of Interactive NewSky, as the first installment of the consideration for the acquisition of 100% equity interest in the registered capital of Interactive NewSky (note 27), resulting in the share premium totalling RMB10,311,000 credited to the share premium account of the Target Company. These new common shares ranked pari passu in all respects with the existing common shares of the Target Company. The fair value of the issued common shares was based on the Target Group's share price on 31 December 2008 of RMB2.204 per common share.

Pursuant to a special resolution passed on 21 April 2010, additional 11,462,326 common shares of US$0.000005 each in the Target Company were allotted and issued as fully paid at RMB2.204 each to Interactive NewSky Limited, the former shareholder of Interactive NewSky, as the final installment of the consideration for the acquisition of 100% equity interest in the registered capital of Interactive NewSky (note 27), resulting in the share premium totalling RMB25,263,000 credited to the share premium account of the Target Company. The fair value of the issued common shares was based on the Target Group's share price on 31 December 2008 of RMB2.204 per common share.

In addition, pursuant to a special resolution passed on 21 April 2010, the Target Company repurchased 2,105,263 common shares at a consideration of US$0.95 per share totalling US$2,000,000 from Interactive NewSky Limited. The share premium account of the Target Group decreased by RMB13,587,000 from this shares repurchase. The shares were cancelled upon repurchase.

22. CAPITAL RISK MANAGEMENT

The Target Group's objectives on managing capital are to safeguard the Target Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing services commensurate with the level of risk.

The Target Group manages the capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Target Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Target Group is not subject to any externally imposed capital requirements.

23. RESERVES

(a) Share premium

In accordance with the Companies Law of the Cayman Islands, the share premium account is distributable to the members of the Target Company provided that immediately following the date on which the dividend is proposed to be distributed, the Target Company will be in a position to pay off its debts as they fall due in the common course of business. The share premium may also be distributed in the form of fully paid bonus shares.

(b) Share options reserve

The share options reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and consultants of the Target Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments further described in note 24 to the consolidated financial information.

The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

(c) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside of the PRC. The reserve is dealt with in accordance with accounting policies set out in note 3(b)(iii) to the consolidated financial information.

(d) Statutory reserve fund

In accordance with the relevant PRC rules and regulations, certain controlled special purpose entities of the Target Group are required to appropriate not less than 10% of their profits after tax to the respective statutory reserves, until the respective balances of the fund reach 50% of the respective registered capitals. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to offset against their respective accumulated losses, if any.

24. SHARE-BASED PAYMENTS

The Target Group operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Target Group's operations. Eligible participants include full-time employees, executives, officers, directors and business consultants of the Target Group. Share options granted to eligible participants are subject to approval in advance by the board of director. The Scheme became effective on 30 October 2005 and, unless otherwise cancelled or amended, will remain in force for 10 years from the date thereof.

An option may be exercised in accordance with the terms of the Scheme at any time during a period of not more than 10 years after the date on which an offer of the grant of an option is accepted. The subscription price for shares under the Scheme will be a price determined by the board of directors and notified to each grantee and will be no less than the highest of (i) fair market value of the common shares on the date of grant and (ii) the nominal value of the Company's shares on the date of the offer.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Target Group in issue at any time.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

Details of the specific categories of options are granted as follows:

	Date of grant	**Vesting period**	**Exercise period**	**Exercise price** *US$*
2005	11 Nov 05	10/11/06 to 10/11/09	11/11/06 to 10/11/15	0.137
2006A	15 Feb 06	14/02/07 to 14/02/10	14/02/07 to 14/02/16	0.137
2006B	1 Jul 06	30/06/07 to 30/06/10	30/06/07 to 30/06/16	0.137
2006C	1 Nov 06	31/10/07 to 31/10/10	31/10/07 to 15/10/16	0.137
2007	1 Jul 07	30/06/08 to 30/06/11	30/06/08 to 30/06/17	0.137
2008	1 Feb 08	31/01/09 to 31/01/12	31/01/09 to 31/01/18	0.137
2009	1 Dec 09	30/11/10 to 30/11/13	30/11/10 to 30/11/19	0.137
2010	1 Feb 10	31/01/11 to 31/01/11	31/01/11 to 31/01/20	0.250

If the options remain unexercised after a period of 10 years from the date of grant, the options would expire. Options are forfeited if the employee leaves the Target Company before the options are vested. No share options have been exercised or cancelled during the relevant periods.

Details of the share options outstanding during the years/period are as follows:

	No. of option	Weighted average exercise price *RMB'000*
At 1 January 2007	1,016,500	1.0997
Granted during the year	482,500	1.0417
At 31 December 2007	1,499,000	1.0810
Granted during the year	10,000	0.9827
At 31 December 2008	1,509,000	1.0804
Granted during the year	200,000	0.9340
At 31 December 2009	1,709,000	1.0632
Granted during the period	2,106,339	1.7068
At 30 June 2010	3,815,339	1.4453
Exercisable at end of the following years/period:		
At 30 June 2010	1,387,843	1.0836
At 31 December 2009	1,264,589	1.0857
At 31 December 2008	900,462	1.0886
At 31 December 2007	464,904	1.1008

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	2010	2009	2008	2007	2006C	2006B	2006A	2005
Share price (US$)	0.373	0.371	0.281	0.366	0.175	0.172	0.512	0.510
Exercise price (US$)	0.250	0.137	0.137	0.137	0.137	0.137	0.137	0.137
Expected volatility (%)	55.23	55.10	51.82	50.22	51.82	49.70	47.90	56.22
Expected life (year)	10	10	10	10	10	10	10	10
Risk free rate (%)	3.68	3.28	3.62	5	4.57	5.10	4.61	4.58
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%	0%

Expected volatility was determined by calculating the historical volatility of the major competitors of the Target Group over the previous 2 to 4 years. The expected life used in the model has been adjusted, based on the Target Group's best estimate, for the effects of non-transferability, exercised restrictions and behavioral considerations.

	6 months ended 30 June 2010	6 months ended 30 June 2009	Year ended 31/12/2009	Year ended 31/12/2008	Year ended 31/12/2007
	RMB'000	*RMB'000* (unaudited)	*RMB'000*	*RMB'000*	*RMB'000*
Share options expenses granted to:					
Employees of the Target Group	175	266	532	655	444
Directors of the Target Group	–	117	234	271	271
Consultants of the Target Group	43	50	100	129	80
	218	433	866	1,055	795

25. SEGMENT INFORMATION

The Target Group is principally engaged in information technology and wireless instant messaging. The directors consider that there is only one business segment significant enough for disclosure. Other business segments, including the provision of information services and software development were not the major sources of turnover as these businesses contributed less than 15% of the Target Group's turnover for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010.

26. FINANCIAL INSTRUMENT BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of reporting periods are as follows:

Financial assets – Loan and receivables

	6 months ended 30/6/2010	Year ended 31/12/2009	Year ended 31/12/2008	Year ended 31/12/2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accounts and other receivables	7,058	3,653	3,772	2,624
Amounts due from directors	1,380	1,380	53	24
Amount due from a shareholder	–	–	–	14,538
Time deposits	–	–	35,729	–
Cash and cash equivalents	116,446	112,729	47,808	73,922
	124,884	117,762	87,362	91,108

Financial liabilities – Other liabilities

	6 months ended 30/6/2010	Year ended 31/12/2009	Year ended 31/12/2008	Year ended 31/12/2007
Accounts and other payables	6,002	10,138	3,590	6,208
Amount due to a director	10	10	–	31
	6,012	10,148	3,590	6,239

27. BUSINESS COMBINATION

On 16 January 2009, the Target Group acquired 100% equity interest in Beijing Interactive NewSky Limited ("Interactive NewSky") through Beijing MMIM Interactive Technologies Co., Ltd. ("MMIM Interactive"). The registered shareholders of Interactive NewSky are certain PRC nationals (the "Registered Shareholders"). Pursuant to various contractual arrangements, MMIM Interactive is responsible for operating the business of Interactive NewSky and has the exclusive right to govern its financial and operating policies.

Details of goodwill arising from the acquisition are as follows:

	RMB'000
Cost of acquisition:	
Cash consideration paid	35,574
Fair value of net assets acquired:	
Fair value of net identifiable assets of Interactive NewSky	(69)
Goodwill on acquisition	35,505

The fair values of the identifiable assets and liabilities at the date of acquisition and the corresponding carrying amount immediately before the acquisition were as follows:

	Carrying amounts immediate before the acquisition *RMB'000*	**Fair value recognised on acquisition** *RMB'000*
Cash and cash equivalents	57	57
Property, plant and equipment	6	6
Prepayments	10	10
Accruals	(4)	(4)
Total identifiable net assets	69	69
Goodwill on acquisition		35,505
Total costs of business combination		35,574

	RMB'000
Satisfied by:	
Equity instruments (4,678,531 common shares of US$0.000005 each)	10,311
Contingent consideration (11,462,326 common shares of US$0.000005 each)	25,263
	35,574

The fair values of 4,678,531 common shares of US$0.000005 each issued on 29 June 2009 and 11,462,326 common shares of US$0.000005 each issued on 21 April 2010 as the consideration for the acquisition of Interactive NewSky were based on the Target Group's share price of RMB2.204 per common share, resulting in a premium totalling RMB10,311,000 and RMB25,263,000 in 2009 and 2010 respectively. The share price was calculated based on the net assets value of the Target Group divided by the total number of issued shares as at 31 December 2008.

In addition, in connection with the acquisition, the Target Group was committed to repurchase from Interactive NewSky Limited, the former shareholder of Interactive NewSky , 2,105,263 common shares of US$0.000005 each in the Target Company out of the 4,678,531 common shares issued to that former shareholder at the consideration of US$0.95 each per common share, or US$2,000,000 in aggregate. The commitment is subject to the net income performance of the acquired business from the period from 1 February 2009 to 31 January 2010. In the event, without assessing whether the acquired business had achieved the net income condition, pursuant to a special resolution passed on 21 April 2010, the Target Group repurchased 2,105,263 common shares at the consideration of US$0.95 per share totalling US$2,000,000, from Interactive NewSky Limited. The share premium account of the Target Group was decreased by RMB13,587,000 in this shares repurchase. The shares were cancelled upon repurchase.

28. COMMITMENTS

(a) As lessee

At the end of reporting periods, the total future minimum lease expenses payables for leasing the office premises by the Target Group under non-cancellable agreements are analysed as follows:

	At 30/6/2010	**At 31/12/2009**	**At 31/12/2008**	**At 31/12/2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	774	1,277	556	889
In the second to fifth years, inclusive	–	115	633	11,189
	774	1,392	1,189	12,078

(b) At the end of reporting periods, the total future minimum expenses payables for leasing, repairing and maintaining the computer servers by the Target Group under non-cancellable agreements are analysed as follows:

	At 30/6/2010	**At 31/12/2009**	**At 31/12/2008**	**At 31/12/2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	426	850	209	209
In the second to fifth years, inclusive	–	39	227	436
	426	889	436	645

(c) At the end of the reporting periods, the total future minimum income receivables for providing the information technology, mobile instant message and software development services by the Target Group under non-cancellable agreements are analysed as follows:

	At 30/6/2010	**At 31/12/2009**	**At 31/12/2008**	**At 31/12/2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within five years *(Note)*	257,559	287,559	1,404	4,150

Note:

The total future minimum income receivables in 2009 and 2010 mainly represent a long-term business contract signed by the Target Group and a third party to provide wireless instant messaging services.

29. RELATED PARTY TRANSACTIONS

Other than those disclosed in notes 10, 14, 15, 19 and 24 to the consolidated financial information, there is no other transaction carried out with any related party during the period/years.

30. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by any of the companies now comprising the Target Group in respect of any period subsequent to 30 June 2010. No dividends or distributions have been declared, made or paid by the companies now comprising the Target Group in respect of any period subsequent to 30 June 2010.

1. MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP FOR EACH OF THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2009 AND THE SIX MONTHS ENDED 30 JUNE 2010

FOR THE YEAR ENDED 31 DECEMBER 2007

Business Review

During the year, the Target Group acquired 100% equity interests of Beijing MMIM Palm Co., Ltd*(北京靈息互動信息技術有限公司) ("MMIM Palm") through Beijing MMIM Interactive Technologies Co., Ltd.*(北京掌迅互動信息技術有限公司) ("MMIM Interactive") so as to cooperate with the different mainland operators. Pursuant to various contractual arrangements, MMIM Interactive is responsible for operating the business of MMIM Palm and has the exclusive rights to govern the financial and operating policies of MMIM Palm. The main business of the Target Group in the period is Instant Message (IM) platform research and development.

Financial Review

For the year ended 31 December 2007, the Target Group recorded a turnover of approximately RMB9.09 million and a net loss of approximately RMB25.84 million. The net loss was mainly due to investments on product and technology R&D.

Liquidity and Financial Resources

As at 31 December 2007, the Target Group's cash and cash equivalents were amounted to approximately RMB73.92 million. The Target Group did not have any bank borrowings during the year and the Target Group has sufficient cash surplus to finance operation from internally generated cashflow.

Capital Structure

As at 31 December 2007, the Target Group had total assets of approximately RMB 94.17 million and total liabilities of approximately RMB10.15 million, resulting in net assets of approximately RMB84.02 million.

Gearing Ratio

The Target Group did not have any bank borrowings during the year and the gearing ratio was nil as at 31 December 2007 (which calculated based on the total bank borrowings to total assets).

Capital Commitments

As at 31 December 2007, the Target Group did not have any material capital commitment.

Pledge of Assets

As at 31 December 2007, the Target Group did not have any charges or pledges on its assets.

Contingent Liabilities

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

Foreign Exchange Exposure

Since the Target Group's operations are mainly located in mainland China and its transactions, monetary assets and liabilities are primarily denominated in Renminbi, there is minimal exposure to foreign currency risk. The Target Group monitors its foreign exchange exposure and will consider hedging significant currency exposure should the need arise.

Significant Investments and Material Acquisition and Disposals

On 22 January 2007, the Target Group acquired 95% equity interests of MMIM Palm by injection of share capital totaling RMB9,500,000 through MMIM Interactive. The Target Group subsequently acquired the remaining 5% equity interest in MMIM Palm at nil consideration on 13 December 2007.

Prospects for New Business

As at the 31 December 2007, the Target Group has no plan to develop any business other than its existing principal business.

Employees and remuneration policy

As at 31 December 2007, the Target Group had 101 employees. The aggregate employee benefits expenses excluding directors' emoluments for the year ended 31 December 2007 amounted to approximately RMB10.77 million. All employees were remunerated based on the industry practice and in accordance with the prevailing employment law.

FOR THE YEAR ENDED 31 DECEMBER 2008

Business Review

During the year, the Target Group continuously invested in technology R&D and started to provide business planning, product design and other operation supporting services to both domestic and oversea telecom operators.

Financial Review

For the year ended 31 December 2008, the Target Group recorded a turnover of approximately RMB21.26 million, representing an increase of approximately 134.05% compared with the turnover recorded in the previous year. The increase in turnover was mainly due to the successful business development in serving operators. Net profit was amounted to approximately RMB2.54 million, compared with net loss of approximately RMB25.84 million recorded in the previous year, representing a net profit margin of approximately 11.97%. The increase in net profit was mainly due to the higher margin enjoyed in serving operators.

Liquidity and Financial Resources

As at 31 December 2008, the Target Group's cash and cash equivalents were amounted to approximately RMB47.81 million and the time deposits were approximately RMB35.73 million. The Target Group did not have any bank borrowings during the period and The Target Group did not have any bank borrowings during the year and the Target Group has sufficient cash surplus to finance operation from internally generated cashflow.

Capital Structure

As at 31 December 2008, the Target Group had total assets of approximately RMB 94.72 million and total liabilities of approximately RMB10.70 million, resulting in net assets of approximately RMB84.02 million.

Gearing Ratio

The Target Group did not have any bank borrowings during the year and the gearing ratio was nil as at 31 December 2008 (which calculated based on the total bank borrowings to total assets).

Capital Commitments

As at 31 December 2008, the Target Group did not have any material capital commitment.

Pledge of Assets

As at 31 December 2008, the Target Group did not have any charges or pledges on its assets.

Contingent Liabilities

As at 31 December 2008, the Target Group did not have any material contingent liabilities.

Foreign Exchange Exposure

Since the Target Group's operations are mainly located in mainland China and its transactions, monetary assets and liabilities are primarily denominated in Renminbi, there is minimal exposure to foreign currency risk.

Significant Investments and Material Acquisition and Disposals

Save for the Target company's investment in its subsidiaries, the Target Group did not have any significant investment and material acquisitions and disposals for the year ended 31 December 2008.

Prospects for New Business

As at the 31 December 2008, the Target Group has no plan to develop any business other than its existing principal business.

Employees and remuneration policy

As at 31 December 2008, the Target Group had 113 employees. The aggregate employee benefits expenses excluding directors' emoluments for the year ended 31 December 2008 amounted to approximately RMB10.55 million. All employees were remunerated based on the industry practice and in accordance with the prevailing employment law.

FOR THE YEAR ENDED 31 DECEMBER 2009

Business Review

During the year, the Target Group acquired 100% equity interest in Beijing Interactive NewSky Technology Limited* (北京互動新天科技有限公司) ("NewSky") through MMIM Interactive with the aim to acquire new clients. Pursuant to various contractual arrangements, MMIM Interactive is responsible for operating the business of NewSky and has the exclusive rights to govern the financial and operating policies of NewSky. Compared with 2008, the Target Group's main business did not have significant changes but enjoyed rapid growth with existing clients as well as the new clients acquired.

Financial Review

For the year ended 31 December 2009, the Target Group recorded a turnover of approximately RMB59.19 million, representing an increase of approximately 178.35% compared with the turnover recorded in the previous year. The increase in turnover was mainly due to the revenue from new clients acquired and the rapid demand growth from existing clients. Net profit increased by approximately 616.03%, compared with net profit recorded in the previous year, to approximately RMB18.22 million, representing a net profit margin of approximately 30.79%. The increase in net profit was mainly due to the higher margin business the Target Group had entered into.

Liquidity and Financial Resources

As at 31 December 2009, the Target Group's cash and cash equivalents were amounted to approximately RMB112.73 million. The Target Group did not have any bank borrowings during the year and the Target Group did not have any bank borrowings during the year and the Target Group has sufficient cash surplus to finance operation from internally generated cashflow.

Capital Structure

As at 31 December 2009, the Target Group had total assets of approximately RMB 157.22 million and total liabilities of approximately RMB43.82 million, resulting in net assets of approximately RMB113.41 million.

Gearing Ratio

The Target Group did not have any bank borrowings during the year and the gearing ratio was nil as at 31 December 2009 (which calculated based on the total bank borrowings to total assets).

Capital Commitments

As at 31 December 2009, the Target Group did not have any material capital commitment.

Pledge of Assets

As at 31 December 2009, the Target Group did not have any charges or pledges on its assets

Contingent Liabilities

As at 31 December 2009, the Target Group did not have any material contingent liabilities.

Foreign Exchange Exposure

Since the Target Group's operations are mainly located in mainland China and its transactions, monetary assets and liabilities are primarily denominated in Renminbi, there is minimal exposure to foreign currency risk. The Group monitors its foreign exchange exposure and will consider hedging significant currency exposure should the need arise.

Significant Investments and Material Acquisition and Disposals

On 16 January 2009, the Target Group acquired 100% equity interest in NewSky through MMIM Interactive at a consideration of approximately RMB35,574,449.

Prospects for New Business

As at the 31 December 2009, the Target Group has no plan to develop any business other than its existing principal business.

Employees and Remuneration Policy

As at 31 December 2009, the Target Group had 204 employees. The aggregate employee benefits expenses excluding directors' emoluments for the year ended 31 December 2009 amounted to approximately RMB21.35 million. All employees were remunerated based on the industry practice and in accordance with the prevailing employment law.

FOR THE SIX MONTHS ENDED 30 JUNE 2010

Business Review

During the period, the Target Group kept good business growth momentum with the existing clients, and meanwhile, actively started to cooperate with Internet companies and mobile terminal manufacturers.

Financial Review

For the six months ended 30 June 2010, the Target Group recorded a turnover of approximately RMB43.42 million and a net profit of approximately RMB21.43 million, representing a net profit margin of approximately 49.36%.

Liquidity and Financial Resources

As at 30 June 2010, the Target Group's cash and cash equivalents were amounted to approximately RMB116.46 million. The Target Group did not have any bank borrowings during the year and the Target Group has sufficient cash surplus to finance operation from internally generated cashflow.

Capital Structure

As at 30 June 2010, the Target Group had total assets of approximately RMB 162.63 million and total liabilities of approximately RMB15.99 million, resulting in net assets of approximately RMB146.64 million.

Gearing Ratio

The Target Group did not have any bank borrowings during the period and the gearing ratio was nil as at 30 June 2010 (which calculated based on the total bank borrowings to total assets).

Capital Commitments

As at 30 June 2010, the Target Group did not have any material capital commitment.

Pledge of Assets

As at 30 June 2010, the Target Group did not have any charges or pledges on its assets.

Contingent Liabilities

As at 30 June 2010, the Target Group did not have any material contingent liabilities.

Foreign Exchange Exposure

Since the Target Group's operations are mainly located in mainland China and its transactions, monetary assets and liabilities are primarily denominated in Renminbi, there is minimal exposure to foreign currency risk. The Group monitors its foreign exchange exposure and will consider hedging significant currency exposure should the need arise.

Significant Investments and Material Acquisitions and Disposals

Save for the Target company's investment in its subsidiaries, the Target Group did not have any significant investment and material acquisitions and disposals for the six months ended 30 June 2010.

Prospects for New Business

As at the 30 June 2010, the Target Group has no plan to develop any business other than its existing principal business.

Employees and Remuneration Policy

As at 30 June 2010, the Target Group had 256 employees. The aggregate employee benefits expenses excluding directors' emoluments for the six months ended 30 June 2010 amounted to approximately RMB12.56 million. All employees were remunerated based on the industry practice and in accordance with the prevailing employment law.

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The Board of Directors
Chinasoft International Limited

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF CHINASOFT INTERNATIONAL LIMITED

We report on the unaudited pro forma financial information of Chinasoft International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the acquisition (the "Acquisition") of MMIM Technologies Inc., its subsidiaries and controlled special purpose entities (the "Target Group") by the Group (together with the Target Group hereinafter referred to as the "Enlarged Group") might have affected the financial information presented, as set out in Appendix IV of the Company's circular dated November 12, 2010 (the "Circular"). The basis of preparation of the unaudited pro forma financial information of the Enlarged Group is set out in the section headed "Unaudited Pro Forma Financial Information of the Enlarged Group" in Appendix IV of the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the sole responsibility of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments, if any, are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly we do not express any such assurance on the unaudited pro forma financial information.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and because of its hypothetical nature, does not give any assurance or indication that any event will take place in the future and may not be indicative of:

– the financial position of the Enlarged Group as at 30 June 2010 or any future date; or

– the results and cash flows of the Enlarged Group for the six months period ended 30 June 2010 or any future period.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments, if any, are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

East Asia Sentinel Limited

So Kwok Keung Keith
Director
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I. INTRODUCTION

The following is the illustrative financial information comprising the unaudited pro forma consolidated statement of financial position, the consolidated statement of comprehensive income and the consolidated statement of cash flows of the Enlarged Group, which have been prepared on the basis as set out in the notes below for the purpose of illustrating the effects of the Acquisition as if it had taken place on 30 June 2010 for the unaudited pro forma consolidated statement of financial position and as if it had taken place on 1 January 2010 for the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows.

This Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared using the accounting policies consistent with that of the Group as set out in the published interim report of the Group for the period ended 30 June 2010 after making certain pro forma adjustments as set out in the notes below.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position and cash flows of the Enlarged Group that would have been attained had the Acquisition been completed on 30 June 2010, nor purport to predict the future financial position, results and cash flows of the Enlarged Group.

II. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2010

	The Group	The Target Group	Pro forma adjustments	The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2(a))*	*(Note 7)*	
Turnover	686,539	43,415		729,954
Cost of sales	(479,131)	(3,749)		(482,880)
Gross profit	207,408	39,666		247,074
Other revenues	7,950	868		8,818
Selling and distribution costs	(38,756)	–		(38,756)
Administrative expenses	(114,925)	(15,609)	(2,834)	(133,368)
Allowance for doubtful debts	(2,001)	–		(2,001)
Amortisation of intangible assets	(14,399)	(62)		(14,461)
Finance costs	(2,295)	–		(2,295)
Share of results of associates	255	–		255
Loss arising from changes in fair value of redeemable convertible preferred shares	(31,543)	–		(31,543)
Profit before taxation	11,694	24,863		33,723
Taxation	(6,680)	(3,435)		(10,115)
Profit for the period	**5,014**	**21,428**		**23,608**
OTHER COMPREHENSIVE INCOME				
Exchange difference arising on transactions of foreign operations	(952)	(92)		(1,044)
Total comprehensive income	**4,062**	**21,336**		**22,564**
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:				
Owners of the Company	4,127	21,428		22,721
Non-controlling interests	887	–		887
	5,014	21,428		23,608
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	3,190	21,336		21,692
Non-controlling interests	872	–		872
	4,062	21,336		22,564

III. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 30 JUNE 2010

	The Group	The Target Group	Pro forma adjustments	Notes	The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*Notes*	*RMB'000*
	(Note 1)	*(Note 2(b))*			
Non-current assets					
Property, plant and equipment	104,369	1,488			105,857
Intangible assets#	83,460	725			84,185
Goodwill#	420,562	35,505	472,158	5	928,225
Investments in subsidiaries	–	–	618,880	3	–
			(618,880)	5	
Interests in associates	17,683	–			17,683
Prepaid lease payments	776	–			776
Prepayment for acquisition of technical knowledge	5,216	–			5,216
Deferred tax assets	3,528	–			3,528
	635,594	37,718			1,145,470
Current assets					
Inventories	23,484	–			23,484
Trade receivables	403,200	6,745			409,945
Other receivables	102,951	342			103,293
Prepaid lease payments	166	–			166
Amounts due from customers for contract work	209,861	–			209,861
Amounts due from shareholders	–	–	1,380	6	1,380
Amounts due from directors	–	1,380	(1,380)	6	–
Pledged deposits	10,067	–			10,067
Bank balances and cash	230,031	116,446	(154,700)	3	191,777
	979,760	124,913			949,973

	The Group *RMB'000* *(Note 1)*	The Target Group *RMB'000* *(Note 2(b))*	Pro forma adjustments *RMB'000*	*Notes*	The Enlarged Group *RMB'000*
Current liabilities					
Amounts due to customers for contract work	64,271	–			64,271
Trade payables	143,957	2,985			146,942
Bills payables	5,147	–			5,147
Receipts in advance	–	8,416			8,416
Amounts due to related companies	34	–			34
Amount due to a shareholder	–	–	10	6	10
Amount due to a director	–	10	(10)	6	–
Dividend payable to shareholders	81	–			81
Other payables and accruals	196,463	3,017	2,834	7	202,314
Borrowings	146,898	–			146,898
Consideration payable on acquisition of business	13,565	–	61,880	3	75,445
Tax payable	9,996	1,561			11,557
	580,412	15,989			661,115
Net current assets	399,348	108,924			288,858
Total assets less current liabilities	1,034,942	146,642			1,434,328
Non-current liabilities					
Consideration payable on acquisition of business	11,374	–	247,520	3	258,894
Redeemable convertible preferred shares	151,446	–			151,446
Deferred tax liabilities	9,208	–			9,208
	172,028	–			419,548
Net assets	862,914	146,642			1,014,780

	The Group	The Target Group	Pro forma adjustments	Notes	The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*Notes*	*RMB'000*
	(Note 1)	*(Note 2 (b))*			
EQUITY					
Share capital	54,599	2	(2)	5	59,434
			4,835	3	
Share premium	582,582	159,944	149,865	3	732,447
			(159,944)	5	
General reserve fund	15,793	–			15,793
Statutory enterprise expansion fund	12,978	–			12,978
Statutory surplus reserve fund	4,121	215	(215)	5	4,121
Translation reserve	(2,828)	(5,121)	5,121	5	(2,828)
Retained earnings/(accumulated loss)	62,723	(11,795)	3,397	4	59,889
			8,398	5	
			(2,834)	7	
Share options reserve	73,940	3,397	(3,397)	4	73,940
Non-controlling interests	59,006	–			59,006
Total equity	862,914	146,642			1,014,780

IV. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2010

	The Group	The Target Group	Pro forma adjustments	Notes	The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*Notes*	*RMB'000*
	(Note 1)	*(Note 2(a))*			
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation	11,694	24,863	(2,834)	7	33,723
Adjustments for:					
Finance costs	2,295	–			2,295
Share of results of associates	(255)	–			(255)
Interest income	–	(868)			(868)
Amortisation of intangible assets and prepaid lease payments	14,399	62			14,461
Loss from changes in fair value of redeemable convertible preferred shares	31,543	–			31,543
Depreciation of property, plant and equipment	11,405	394			11,799
Loss on disposal of property, plant and equipment and intangible assets	–	2			2
Allowance for doubtful debts	2,001	–			2,001
Share option expenses	10,521	218			10,739

	The Group	The Target Group	Pro forma adjustments	Notes	The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*Notes*	*RMB'000*
	(Note 1)	*(Note 2(a))*			
Operating profit before working capital changes	83,603	24,671			105,440
(Increase) in inventories	(8,868)	–			(8,868)
(Increase) in trade and other receivables	(135,733)	(3,403)			(139,136)
(Increase) in amounts due from customers for contract work	(48,842)	–			(48,842)
Decrease in amounts due from related companies	711	–			711
(Decrease) in amounts due to customers for contract work	(15,474)	–			(15,474)
(Decrease) in amounts due to related companies	(94)	–			(94)
Increase in receipts in advance	–	135			135
Increase/(decrease) in trade and other payables	64,996	(4,137)	2,834	7	63,693
Increase in bill payables	3,892	–			3,892
Cash generated from/(used in) operations	(55,809)	17,266			(38,543)
Income taxes paid	(296)	(511)			(807)
Taxation refunded	1,599	–			1,599
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**(54,506)**	**16,755**			**(37,751)**

	The Group *RMB'000* *(Note 1)*	The Target Group *RMB'000* *(Note 2(a))*	Pro forma adjustments *RMB'000*	*Notes*	The Enlarged Group *RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	–	868			868
Acquisition of business	(1,900)	–	(154,700)	3	(156,600)
Repayment from a related company	711	–			711
Development costs paid	(8,718)	–			(8,718)
Purchases of property, plant and equipment and intangible assets	(20,369)	(227)			(20,596)
Increase in pledged deposit	2,803	–			2,803
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	**(27,473)**	**641**			**(181,532)**
CASH FLOWS FROM FINANCING ACTIVITIES					
New bank loan raised	62,900	–			62,900
Common shares repurchased and cancelled	–	(13,587)			(13,587)
Repayment to related companies	(5,532)	–			(5,532)
Repayment of borrowings	(42,900)	–			(42,900)
Proceeds from exercise of share options	8,481	–			8,481
Interest on borrowings	(2,199)	–			(2,199)
Interest paid on redeemable convertible preferred shares	(5,750)	–			(5,750)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	**15,000**	**(13,587)**			**1,413**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(66,979)**	**3,809**			**(217,870)**
Effect of foreign exchange rate changes	(19)	(92)			(111)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**297,029**	**112,729**			**409,758**
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**230,031**	**116,446**			**191,777**

V. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. The unadjusted consolidated statement of financial position, unadjusted consolidated statement of comprehensive income and unadjusted consolidated statement of cash flows of the Group are extracted from the published interim report of the Group for the six months ended 30 June 2010 as set out in Appendix I to this circular.

2. (a) The consolidated statement of comprehensive income and the consolidated statement of cash flows for the six months ended 30 June 2010 are extracted from the accountants' report of the Target Group as set out in Appendix II to this circular. The Target Group's past performance has not been subject to seasonal factor and as such no seasonal factor is expected to affect the Target Group's profit and cash flow for the second half of 2010.

   (b) The consolidated statement of financial position of the Target Group as at 30 June 2010 are extracted from the accountants' report of the Target Group as set out in Appendix II to this circular.

3. On 22 September 2010, the Company entered into a Share Purchases Agreement (the "Acquisition Agreement") pursuant to which the Company has agreed to acquire conditionally the entire equity interest in the Target Group.

   Pursuant to the Acquisition Agreement, total consideration for the acquisition of the Target Group shall not exceed US$91,000,000 (equivalent to approximately RMB618,800,000) to be settled in four instalments as follows:

   (a) Initial instalment

   On the closing date, the Company shall pay a total consideration of US$45,500,000 (equivalent to approximately RMB309,400,000), which is to be settled by US$22,750,000 (equivalent to RMB154,700,000) in cash and the remaining US$22,750,000 (equivalent approximately RMB154,700,000) by ordinary shares of the Company with a par value of HK$0.05 each (the "Consideration Shares").

   The Consideration Shares are valued at the lower of (i) HK$1.6 per share, as appropriately adjusted for any stock split, stock consolidation or like event or; (ii) the average closing price of the Company's shares for the 30 consecutive trading days preceding the date of execution of the Acquisition Agreement, as appropriately adjusted for any stock split, stock consolidation or like event.

(b) Second to fourth instalments

According to the Acquisition Agreement, the consideration for the second to the fourth instalments (the "Contingent Consideration") of US$9,100,000 (equivalent approximately RMB61,880,000), US$18,200,000 (equivalent approximately RMB123,760,000) and US$18,200,000 (equivalent approximately RMB123,760,000) respectively would be settled in the event that the financial result for the Target Group had met certain profit targets in the years ending 31 December 2010, 31 December 2011 and 31 December 2012. The Contingent Consideration would be settled in a combination of cash and the Consideration Shares.

The maximum amount of the aggregate Consideration Shares shall not exceed 30% of the total number of the ordinary shares of the Company then outstanding immediately following the issuance of the aggregate Consideration Shares (the "30% Threshold"). Any portion of the aggregate Consideration Shares, the issuance of which will result in the aggregate Consideration Shares to exceed the 30% Threshold, shall be settled with the equivalent monetary value in cash.

The total cost of investment for the Acquisition US$91,000,000 (equivalent approximately to RMB618,800,000) is the total of all four installments assuming that the Target Company would meet the profit targets.

The adjustment represents the initial consideration through cash payment of RMB154,700,000 and the issuance of 110,242,121 new ordinary shares in the Company in the value of RMB154,700,000 (as determined using the fair value of HK$1.6 per share) in exchange for the entire share capital of the Target Group. In respect of the share value of RMB154,700,000, the amount of RMB4,835,000 is reflected as share capital which represents the aggregate par value of the issued ordinary shares, and the remaining RMB149,865,000 reflected as share premium.

Since the second to the fourth considerations will be settled in the event that the financial result for the Target Group had met certain profit targets, the Company classified the obligation to pay the Contingent Consideration of US$45,500,000 (equivalent to RMB309,400,000) as a liability of which US$9,100,000 (equivalent to RMB61,880,000) will be classified as current liability.

The above accounting treatments are consistent with the Company's accounting policy.

4. The share options reserve of RMB3,397,000 was transferred to the accumulated losses of the Target Group upon cancellation of the 1,387,843 outstanding Share Options of the Target Company.

5. The adjustment represents a consolidation entry for the elimination of (i) the investment costs of the Company; (ii) the share capital of RMB2,000, the pre-acquisition accumulated losses of RMB8,398,000, the share premium of RMB159,944,000, the statutory surplus reserve fund of RMB215,000 and the exchange reserve of RMB5,121,000 of the Target Group; and (iii) the recognition of goodwill of RMB472,158,000 arising from the acquisition.

   The goodwill represents (i) the benefits to enter into the mobile internet market, widening the scopes of service and carry out the strategic diversification from the synergies of the Acquisition, (ii) underlying costs of technical know-how in term of core skills and technique in the field of mobile internet and (iii) valuable client relationship. The directors have carried out impairment assessment on the goodwill in accordance with the Company's accounting policy.

   For the purpose of the Unaudited Pro Forma Financial Information, the directors have estimated the fair values of the identifiable assets and liabilities of the Target Group as at 30 June 2010. The directors consider that the book values of all identifiable assets and liabilities approximate their respective fair values.

   Since the fair values of the identifiable assets and liabilities of the Target Group at the date of completion of the acquisition may be substantially different from their fair values used in preparing this Unaudited Pro Forma Financial Information, the amounts of the fair values of the identifiable assets and liabilities at the date of completion of the acquisition may be different from the amounts presented above and the difference may be significant.

6. Upon completion of the Acquisition, some directors of the Target Group who are also the shareholders of the Target Group will become shareholders of the Enlarged Group. Thus, the rights, obligations and corresponding interests in the amounts due from and to those directors of the Target Group of RMB1,380,000 and RMB10,000 respectively should be reclassified as amounts due from and to shareholders correspondingly.

7. This adjustment represents the expected professional costs to be incurred in relation to the Acquisition.

8. For the purpose of the unaudited pro forma financial information, the transactions and balances arising from the Acquisition stated in Hong Kong Dollars have been converted to Renminbi at the exchange rate of RMB1 = HK$1.14019.

9. Apart from the Acquisition, no other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect the trading results or other transactions entered into by the Group and the Target Group subsequent to 30 June 2010.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were, and following the issue and allotment of the maximum number of Consideration Shares will be, as follows:

Authorised:		*HK$*
1,500,000,000	Ordinary Shares as at the Latest Practicable Date	75,000,000
625,000,000	Series A Preferred Shares as at the Latest Practicable Date	31,250,000
2,125,000,000		106,250,000
Issued and to be issued as fully paid		
1,089,077,314	Ordinary Shares in issue as at the Latest Practicable Date	54,453,865.7
164,500,000	Series A Preferred Shares in issue as at the Latest Practicable Date	8,225,000
1,253,577,314	Ordinary Shares and Series A Preferred Shares in issue as at the Latest Practicable Date	62,678,865.7
30% Threshold *(Note)*	Maximum number of the Consideration Shares to be issued and allotted	Not more than US$54,600,000 (equivalent to approximately HK$425,880,000) *(Note)*
Subject to the number of Consideration Shares to be issued and allotted pursuant to the manner set out in the section headed "Consideration" under "Letter from the Board" of this circular		Not more than approximately HK$488,558,865.7

Note: The maximum amount of the Aggregate Share Consideration that the Selling Shareholders will collectively receive pursuant to the Share Purchase Agreement shall be up to (but not equal to) thirty per cent (30%) of the total number of the Shares then-outstanding immediately following the issuance of such Aggregate Share Consideration (the "30% Threshold"). The 30% Threshold refers to the percentage of the Consideration Shares to be issued by the Company at each closing date over the total number of the Shares then-outstanding immediately following the issuance of such Consideration Shares at such closing. Any portion of the Aggregate Share Consideration, the issuance of which will result in the Aggregate Share Consideration to be equal to or exceed the 30% Threshold, shall be settled with the equivalent monetary value in cash. The amount of cash and the Shares to be delivered at the applicable Closing, if any, shall be adjusted accordingly.

All the issued existing Ordinary Shares rank pari passu in all respects including all rights as to dividends, voting and return of capital. The Consideration Shares will rank pari passu in all respects including all rights as to dividends, voting and return of capital with the Ordinary Shares in issue after the respective dates of issue and allotment of the Consideration Shares.

Applications will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

3. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company in the Shares and underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

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

Name of Director	Total No. of Shares	Approximate percentage of total issued ordinary share capital as at the Latest Practicable Date
CHEN Yuhong	44,420,136	4.08%
CUI Hui	20,000,000	1.84%
TANG Zhenming	11,747,765	1.08%
WANG Hui	9,237,838	0.85%
ZEHG Zhijie	300,000	0.03%

Options to subscribe for Shares

Name of Director	Exercise Price *(HK$)*	Number of share options outstanding as at the Latest Practicable Date	Approximate percentage of the total number of the Shares in issue as at the Latest Practicable Date	Number of underlying Shares interested in	*Notes*
CHEN Yuhong	1.78	3,800,000	0.35%	8,800,000	(6)
	1.37	5,000,000	0.46%		(7)
CUI Hui	0.65	500,000	0.05%	500,000	(4)
Duncan CHIU	0.65	1,000,000	0.09%	11,000,000	(4)
	1.37	10,000,000	0.92%		(7)
TANG Zhenming	0.58	80,000	0.01%	6,180,000	(3)
	0.65	1,300,000	0.12%		(4)
	0.97	800,000	0.07%		(5)
	1.78	2,000,000	0.18%		(6)
	1.37	2,000,000	0.18%		(7)
WANG Hui	0.65	250,000	0.02%	4,400,000	(4)
	0.97	1,000,000	0.09%		(5)
	1.78	2,000,000	0.18%		(6)
	1.37	1,150,000	0.11%		(7)
ZENG Zhijie	1.78	450,000	0.04%	450,000	(6)

Notes:

(1) An aggregate of 250,000, 1,500,000 and 1,450,000 share options were exercised by Mr. Wang Hui at the exercise price of HK$0.58, HK$0.65 and HK$1.78 each respectively. Hence, following the exercise of those share options, the number of share options outstanding reduced to 4,400,000 as at the Latest Practicable Date.

(2) An aggregate of 300,000 share options were exercised by Mr. Zeng Zhijie at the exercise price of HK$1.78. Hence, following the exercise of those share options, the number of share options outstanding reduced to 450,000 as at the Latest Practicable Date.

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

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

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

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

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

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

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

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

(7) These share options were offered on 14 April, 2008 under the Share Option Scheme and accepted on 12 May, 2008. These share options are exercisable for a period of 3 years from the date of offer, subject to the following conditions:

Exercisable Period Commencing	Ending	Number of share options exercisable
14/04/2008	13/04/2011	50% of the total number of share options granted
14/04/2009	13/04/2011	50% of the total number of share options granted

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, none of the Directors or chief executive of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

None of the Directors and the chief executive of the Company was a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Enlarged Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group since 31 December 2009, being the date to which the latest published audited accounts of the Group were made up.

6. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Enlarged Group.

7. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

8. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there was not any material adverse change in the financial or trading position of the Group since 31 December 2009, being the date to which the latest published audited accounts of the Company were made up.

9. EXPERT AND CONSENT

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

Name	Qualification
East Asia Sentinel Limited	Certified Public Accountants

As at the Latest Practicable Date, East Asia Sentinel Limited:

(a) did not have any shareholding directly or indirectly in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and

(b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group since 31 December 2009, being the date to which the latest published audited accounts of the Group were made up.

East Asia Sentinel Limited has given and has not withdrawn its written consent to the issue of this circular with inclusion of its reports and statements and all references to its name included herein in the form and context in which it respectively appears. Such reports and statements are given as of the date of this circular for incorporation herein.

10. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Enlarged Group within two years immediately preceding the date of this circular and which are or may be material:

(a) the acquisition agreement dated 21 July 2009 entered into between Chinasoft Resources Information Technology Services Limited ("Chinasoft Resources"), a wholly-owned subsidiary of the Company, Mr. Joseph Zhou ("Mr. Zhou") pursuant to which Chinasoft Resources conditionally agreed to acquire and Mr. Zhou conditionally agreed to sell 100% entire equity interest in Shenzhen Jinhuaye Software Limited for the aggregate consideration of RMB33,590,000;

(b) the sale and purchase agreement dated 5 January 2007 (the "SPA") and the supplemental agreement dated 2 January 2007 whereby the Company agreed to purchase, and the selling shareholders of Hinge Global Resource Inc. ("HGR") agreed to accept the offer (made by the Company to all shareholders of HGR to acquire all the issued share capital of HGR) to sell, an aggregate of 7,474,624 shares in HGR subject to the terms and conditions of the SPA; on 29 March 2010, the Company announced that it signed an execution agreement with the selling shareholders of HGR and HGR related to the earn-out payment of HGR, pursuant to which, the parties all confirmed and agreed that the net profit under Section 7.1 of the SPA shall be deemed less than US$3.16 million and that the earnout payment under Section 7 of the sale and purchase agreement shall not therefore be payable, regardless of the outcome of the 2007 net profit (i.e. the audited consolidated net profit after taxation of HGR and its subsidiaries for the financial year ending 31 December 2007 prepared in accordance with the Hong Kong Financial Reporting Standards);

(c) the sale and purchase agreement dated 12 April 2010 and the supplemental Agreement dated 11 May 2010 (collectively, the "Agreements") entered into between北京中軟國際信息技術有限公司(Beijing Chinasoft International Information Technology Limited) ("Beijing Chinasoft"), a wholly-owned subsidiary of the Company, and Zou Hong and Ye Ming (the "Vendors"), and pursuant to the Agreements, Beijing Chinasoft conditionally agreed to purchase from the Vendors 51% of the registered capital of RMB55,026,671 of漢普管理諮詢（中國）有限公司(Han Consulting (China) Limited) at an aggregate consideration of up to RMB23,020,000, and pursuant to the supplemental agreement, RMB11,120,000 of the said aggregate consideration would be satisfied by the Company issuing 9,208,126 new Shares to the Vendors; and

(d) the subscription agreement dated 3 October 2010 entered into between the Company and EJF Capital LLC ("EJF"), pursuant to which the Company agreed to issue and EJF agreed to subscribe for the 4.25% Convertible Notes due 2013 in an aggregate principal amount of RMB200 million. The conversion price shall initially be the lower of (i) HK$2.00 or (ii) 1.2 times the volume weighted average of the closing price per share of the Company for the five trading days prior to issuance of the Convertible Notes (subject to adjustment from time to time in accordance with the terms of the Convertible Notes). Assuming full conversion of the Convertible Notes, the Convertible Notes will be convertible into a maximum of 464,006,391 conversion shares and a minimum of 115,809,100 conversion shares, representing approximately 42.84% and 10.69% of the issued share capital of the Company, respectively as at 5 October 2010 and approximately 29.99% and 9.66% of the issued share capital of the Company, respectively as enlarged by the issue of the conversion shares upon exercising the conversion right attaching to the Convertible Notes in full.

11. LITIGATION

So far as the Directors are aware, none of the members of the Enlarged Group was engaged in any litigation or claims of material importance and no litigation or arbitration of material importance was pending or threatened against any members of the Enlarged Group as at the Latest Practicable Date.

12. GENERAL

(a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands.

(b) The head office of the Company is at North Wing 12/F, Raycon Infotech Park Tower C, No. 2 Kexuiyuan Nanlu Haidian District, Beijing, 100190, PRC.

(c) The Company's Hong Kong branch share registrar and transfer office is Computershare Hong Kong Investor Services Limited, which is situated at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The Secretary of the Company is Mr. FOK Ming Fuk, William, MBA, FCCA, CPA, CHARTERED ACCOUNTANT, FTIHK.

(e) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the Company's office in Hong Kong at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen's Road Central, Hong Kong up to and including November 29, 2010:

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

(b) the annual report of the Company for each of the three years ended 31 December 2009;

(c) the contracts referred to in the paragraph headed "Material Contracts" in this appendix;

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

(e) the accountants' report on the Target Group, the text of which are set out in Appendix II to this circular; and

(f) the report from East Asia Sentinel Limited on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to 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: 354)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of CHINASOFT INTERNATIONAL LIMITED (the "**Company**") will be held at 4 p.m. on November 29, 2010 at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen's Road Central, Hong Kong for the following purposes of considering and, if thought fit, passing with or without modification the following resolution:

ORDINARY RESOLUTION

"**THAT**:

(a) the Share Purchase Agreement (as defined in the circular to the shareholders of the Company dated November 12, 2010 (the "**Circular**")), a copy of which has been produced at the EGM and marked "A" and initialled by the chairman of the EGM for identification purpose and the transactions contemplated thereunder be and are hereby approved, confirmed and authorised;

(b) the allotment and issue by the Company of the maximum number of Consideration Shares (as defined in the Circular) to the Selling Shareholders (as defined in the Circular) as part of the consideration under the Share Purchase Agreement be and is hereby approved; and

(c) any director of the Company be and is hereby authorised to do all such acts and things and to sign, seal, execute and deliver all such documents and to take all such steps for and on behalf of the Company as he may in his absolute discretion consider necessary or appropriate to give effect to or in connection with the Share Purchase Agreement or all transactions contemplated thereunder."

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

November 12, 2010

* *For identification purpose only*

Registered Office:
Cricket Square,
Hutchins Drive, P.O. Box 2681,
Grand Cayman, KY1-1111,
Cayman Islands

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

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 Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or 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.

(5) The register of members of the Company will be closed from November 25, 2010 to November 29, 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the meeting (or any adjournment thereof), all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on November 24, 2010.