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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

HIGHLIGHTS

Annual Results for 2008

	2008 *RMB'000*	**2007** *RMB'000*	**changes**
Total revenue	983,382	811,552	+21%
EBITDA	83,162	110,921	-25%
EBITA	65,429	98,805	-34%
Profit for the year	71,725	122,540	-41%
Profit attributable to shareholder	63,335	115,445	-45%
Earnings per share	0.0633	0.1344	-53%
Final dividend per share	Nil	HK$0.005	N/A

- Achieved a turnover of approximately RMB983,372,000 for the year 2008 (2007: RMB811,552,000)
- EBITDA of approximately RMB83,162,000 for the year 2008 (2007: RMB110,921,000)
- EBITA of approximately RMB65,429,000 for the year 2008 (2007: RMB98,805,000)
- Accomplished a net profit of approximately RMB71,725,000 for the year 2008 (2007: RMB122,540,000)
- Basic earnings per share of the Company was approximately RMB0.0633 for the year 2008 (2007: RMB0.1344)
- The Directors do not recommend the payment of a final dividend for the year 2008
- The Register of Member will be closed from Tuesday, 16 June 2009 to Thursday, 18 June 2009, both dates inclusive, during which period no share transfer shall be registered.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Turnover	3	**983,372**	811,552
Cost of sales		**(709,227)**	(545,157)
Gross profit		**274,145**	266,395
Other income, gains and losses		**26,769**	11,714
Selling and distribution costs		**(47,494)**	(45,456)
Administrative expenses		**(171,192)**	(131,028)
Allowance for doubtful debts		**(16,799)**	(2,820)
Amortisation of intangible assets and prepaid lease payments		**(21,586)**	(14,514)
Impairment loss recognised in respect of intangible assets		**–**	(1,735)
Impairment loss recognised in respect of available-for-sale investment		**–**	(59)
Impairment loss recognised in respect of goodwill		**(17,387)**	–
Finance costs	4	**(2,842)**	(474)
Share of results of associates		**2,878**	3,323
Gain arising from changes in fair value of redeemable convertible preferred shares		**54,487**	46,102
Profit before taxation		**80,979**	131,448
Taxation	5	**(9,254)**	(8,908)
Profit for the year	6	**71,725**	122,540
Attributable to:			
Equity holders of the Company		**63,335**	115,445
Minority interests		**8,390**	7,095
		71,725	122,540
Dividend	7	**4,406**	797
Earnings (loss) per share	8		
Basic		**RMB0.0633**	RMB0.1344
Diluted		**RMB(0.0020)**	RMB0.0492

CONSOLIDATED BALANCE STATEMENT

At 31 December 2008

	Notes	**2008** *RMB'000*	2007 *RMB'000*
Non-current assets			
Property, plant and equipment		**79,038**	68,723
Intangible assets	9	**79,724**	76,155
Goodwill		**446,607**	445,005
Interests in associates		**14,469**	11,591
Available-for-sale investment		**–**	109
Prepaid lease payments		**1,034**	1,276
Prepayment for acquisition of technical knowhow		**2,318**	–
Deferred tax assets		**2,517**	1,806
		625,707	604,665
Current assets			
Inventories		**21,939**	51,713
Trade and other receivables	10	**397,420**	432,553
Prepaid lease payments		**166**	177
Amounts due from customers for contract work		**69,891**	36,701
Amounts due from related companies		**2,490**	1,524
Pledged deposits		**21,630**	4,504
Bank balances and cash		**265,804**	230,435
		779,340	757,607
Current liabilities			
Amounts due to customers for contract work		**17,769**	10,428
Trade and other payables	11	**282,122**	284,504
Bills payable		**13,163**	35,132
Amounts due to related companies		**22**	14,031
Dividend payable to shareholders		**82**	238
Taxation payable		**6,705**	4,528
Borrowings		**70,555**	10,000
Consideration payable on acquisition of technical expertise		**–**	731
Consideration payable on acquisition of a subsidiary		**–**	2,923
Consideration payable on acquisition of additional interest in a subsidiary		**8,447**	–
		398,865	362,515
Net current assets		**380,475**	395,092
Total assets less current liabilities		**1,006,182**	999,757

	Notes	**2008** *RMB'000*	2007 *RMB'000*
Non-current liabilities			
Borrowings		**–**	16,814
Deferred tax liabilities		**8,371**	7,170
Redeemable convertible preferred shares	12	**127,699**	201,085
		136,070	225,069
		870,112	774,688
Capital and reserves			
Share capital		**52,178**	51,398
Share premium		**516,306**	505,483
Reserves		**256,857**	178,788
Equity attributable to equity holders of the Company		**825,341**	735,669
Minority interests		**44,771**	39,019
Total equity		**870,112**	774,688

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Attributable to the equity holders of the Company										
	Share capital	Share premium	Translation reserve	Share options reserve	General reserve fund	Statutory enterprise expansion fund	Statutory surplus reserve fund	Accumulated profits	Total	Minority interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2007	40,184	128,899	(6,942)	11,243	9,714	8,868	341	20,528	212,835	20,820	233,655
Exchange differences arising from translation of foreign operations and net gain recognised directly in equity	–	–	5,718	–	–	–	–	–	5,718	–	5,718
Profit for the year	–	–	–	–	–	–	–	115,445	115,445	7,095	122,540
Total recognised income for the year	–	–	5,718	–	–	–	–	115,445	121,163	7,095	128,258
New issue of shares	10,237	364,674	–	–	–	–	–	–	374,911	–	374,911
Expenses on issue of shares	–	(807)	–	–	–	–	–	–	(807)	–	(807)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	11,104	11,104
Recognition of equity-settled share-based payments	–	–	–	15,779	–	–	–	–	15,779	–	15,779
Issue of ordinary shares upon exercise of share options	977	13,514	–	(1,906)	–	–	–	–	12,585	–	12,585
Appropriations	–	–	–	–	6,079	–	164	(6,243)	–	–	–
Dividend recognised as distribution	–	(797)	–	–	–	–	–	–	(797)	–	(797)
At 31 December 2007	51,398	505,483	(1,224)	25,116	15,793	8,868	505	129,730	735,669	39,019	774,688
Exchange differences arising from translation of foreign operations and net loss recognised directly in equity	–	–	(114)	–	–	–	–	–	(114)	–	(114)
Profit for the year	–	–	–	–	–	–	–	63,335	63,335	8,390	71,725
Total recognised income for the year	–	–	(114)	–	–	–	–	63,335	63,221	8,390	71,611
New issue of shares	396	9,593	–	–	–	–	–	–	9,989	–	9,989
Acquisition of additional interest in subsidiaries	–	–	–	–	–	–	–	–	–	(2,338)	(2,338)
Capital contribution from a minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	300	300
Recognition of equity-settled share-based payments	–	–	–	15,940	–	–	–	–	15,940	–	15,940
Issue of ordinary shares upon exercise of share options	384	5,636	–	(1,092)	–	–	–	–	4,928	–	4,928
Appropriations	–	–	–	–	–	–	1,207	(1,207)	–	–	–
Dividend recognised as distribution	–	(4,406)	–	–	–	–	–	–	(4,406)	–	(4,406)
Dividend paid to minority interests	–	–	–	–	–	–	–	–	–	(600)	(600)
At 31 December 2008	52,178	516,306	(1,338)	39,964	15,793	8,868	1,712	191,858	825,341	44,771	870,112

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

1. GENERAL INFORMATION OF THE COMPANY

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

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

On 29 December 2008, the listing of the shares of the Company was transferred to the Main Board of The Stock Exchange.

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

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

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

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

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK (IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK (IFRIC) – Int 12	Service Concession Agreement
HK (IFRIC) – Int 14	HKAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

3. TURNOVER AND SEGMENT INFORMATION

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

Business segments

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

Segment information about these businesses is presented as follows:

INCOME STATEMENT FOR BUSINESS SEGMENTS

For the year ended 31 December 2008

	Solutions	IT outsourcing	IT consulting and training services	Sale of standalone software and hardware products	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**597,306**	**344,737**	**19,105**	**22,224**	**983,372**
Segment result	**(6,930)**	**13,905**	**(1,646)**	**20,508**	**25,837**
Unallocated other income, gains and losses					**26,769**
Unallocated corporate expenses					**(26,150)**
Share of results of associates	**2,878**	**–**	**–**	**–**	**2,878**
Finance costs					**(2,842)**
Gain arising from changes in fair value of redeemable convertible preferred shares					**54,487**
Profit before taxation					**80,979**
Taxation					**(9,254)**
Profit for the year					**71,725**

BALANCE SHEET FOR BUSINESS SEGMENTS

As at 31 December 2008

	IT solutions *RMB'000*	IT outsourcing *RMB'000*	IT consulting and training services *RMB'000*	Sale of standalone software and hardware products *RMB'000*	Consolidated *RMB'000*
ASSETS					
Segment assets	**640,233**	**436,399**	**9,771**	**12,107**	**1,098,150**
Interests in associates	**14,469**	**–**	**–**	**–**	**14,469**
Unallocated corporate assets					**292,068**
Consolidated total assets					**1,405,047**
LIABILITIES					
Segment liabilities	**263,622**	**45,534**	**562**	**6,514**	**316,232**
Unallocated corporate liabilities					**218,703**
Consolidated total liabilities					**534,935**

OTHER INFORMATION FOR BUSINESS SEGMENTS

For the year ended 31 December 2008

	IT solutions *RMB'000*	IT outsourcing *RMB'000*	IT consulting and training services *RMB'000*	Sale of standalone software and hardware product *RMB'000*	Consolidated *RMB'000*
Capital additions	**39,643**	**13,249**	**1,199**	**–**	**54,091**
Depreciation of property, plant and equipment	**8,030**	**8,823**	**867**	**13**	**17,733**
Amortisation of intangible assets and prepaid lease payments	**12,117**	**9,246**	**223**	**–**	**21,586**
Impairment of goodwill	**–**	**17,387**	**–**	**–**	**17,387**
Allowance for doubtful debts	**16,794**	**5**	**–**	**–**	**16,799**
Allowance for inventories	**3,408**	**–**	**–**	**–**	**3,408**
Loss on disposal of property, plant and equipment	**120**	**63**	**–**	**–**	**183**

INCOME STATEMENT FOR BUSINESS SEGMENTS

For the year ended 31 December 2007

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

BALANCE SHEET FOR BUSINESS SEGMENTS

As at 31 December 2007

	IT solutions	IT outsourcing	IT consulting and training services	Sale of standalone software and hardware products	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Segment assets	671,235	440,472	1,874	246	1,113,827
Interests in associates	11,591	–	–	–	11,591
Unallocated corporate assets					236,854
Consolidated total assets					1,362,272
LIABILITIES					
Segment liabilities	282,514	47,952	3,081	9,582	343,129
Unallocated corporate liabilities					244,455
Consolidated total liabilities					587,584

OTHER INFORMATION FOR BUSINESS SEGMENTS

For the year ended 31 December 2007

	IT solutions	IT outsourcing	IT consulting and training services	Sale of standalone software and hardware product	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Capital additions	45,581	30,820	6,086	–	82,487
Depreciation of property, plant and equipment	6,441	5,022	598	55	12,116
Amortisation of intangible assets and prepaid lease payment	6,956	7,248	310	–	14,514
Allowance for doubtful debts	2,820	–	–	–	2,820
Allowance for inventories	1,735	–	–	–	1,735
Impairment of intangible assets	–	1,735	–	–	1,735
Loss on disposal of property, plant and equipment	6	503	–	–	509

Geographical segments

The Group's four divisions operate in three principal geographical areas – the People's Republic of China (including Hong Kong) (the "PRC"), the United States of America (the "USA") and Japan. The following table provides an analysis of the Group's sales by geographical markets, irrespective of the origin of the goods and services:

	PRC	**USA**	**Japan**	**Elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment turnover	872,654	94,084	16,634	–	983,372
Intersegment sales	66,507	–	–	(66,507)	–
	939,161	94,084	16,634	(66,507)	983,372

No geographical segment information of the Group is shown for the year 2007 as the operating businesses of the Group are substantially carried out in the PRC. The Group's assets and liabilities are substantially located in the PRC in 2008 and 2007.

4. FINANCE COSTS

	2008	2007
	RMB'000	*RMB'000*
Interest on borrowings wholly repayable within five years:		
Bank loan	**1,961**	158
Imputed interest expense on loan from a related party	**881**	316
	2,842	474

5. TAXATION

	THE GROUP	
	2008	2007
	RMB'000	*RMB'000*
The charge comprises:		
PRC Enterprise Income Tax:		
Current year	**10,877**	11,267
Under (over) provision in prior year	**26**	(2,960)
	10,903	8,307
Hong Kong Profits Tax	**37**	(7)
The US Federal and State Income taxes	**–**	6
Japan Income Tax	**15**	–
	10,955	8,306
Deferred tax	**(1,701)**	602
	9,254	8,908

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profit tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/2009. Hong Kong Profit tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2007: 33%) unless subject to tax exemption set out below. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

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

Pursuant to the resolution of National Development and Reform Commission, dated 31 December 2008, Chinasoft Beijing had been designated as a supported software enterprise and its income tax rate was reduced from 25% to 10% (2007: 10%).

Pursuant to certificate issued by Yunnan Provincial Science and Technology Department dated 15 December 2008, Chinasoft Kunming had been designated as a High and New Technology Enterprise and its income tax rate was reduced from 25% to 15% (2007: nil).

Pursuant to an approval document issued by the State Bureau of Tianjin Economic and Technology Development Zone dated 20 February 2003, Cyber Resources was established before the end of the year 1995 and was approved as a production enterprise and its income tax rate was reduced from 33% to 15%. With effect from 2008, the tax rate will be progressively increased to 25% in a five-year transitional period under the Implementation Regulations of the New Law. Cyber Resources is subject to the income tax computed at the rate of 18% for the year ended 31 December 2008 (2007: 15%).

Pursuant to certificate issued by Beijing Municipal Science and Technology Commission dated 24 December 2008, Chinasoft Resources Beijing had been designated as a High and New Technology Enterprise and its income tax rate was reduced from 25% to 15%. Moreover, Chinasoft Resources Beijing was entitled to the three year's exemption from income tax followed by three years of 50% tax reduction commencing from the first profit-making year with effect from 2004. As a result, Chinasoft Resources Beijing subject to the income tax at the rate of 7.5% for the year ended 31 December 2008 (2007: 7.5%).

In addition, Chinasoft Shenzhen is located in the Special Economic Zone and the applicable tax rate was 15% before the effective date of the New Law. With effect from 1 January 2008, the tax rate will increase progressively to 25%. The applicable tax rate of the Special Economic Zone is 18% in 2008. Pursuant to an approval document issued by the State Bureau of Shenzhen Nanshan District dated 1 March 2005, Chinasoft Resources Shenzhen, a subsidiary of the Company, had been designated as a newly established software enterprise. As a result, Chinasoft Resources Shenzhen was entitled to the two year's exemption from income tax followed by three years of 50% tax reduction commencing from the first profit-making year with effect from 2004. Hence, Chinasoft Resources Shenzhen is subject to the income tax at the rate of 9% for the year ended 31 December 2008 (2007: 7.5%).

Pursuant to an approval document issued by the Shanghai City District Bureau dated 27 February 2007, Chinasoft Resources Shanghai was entitled to the two year's exemption from income tax followed by three years of 50% tax reduction with effect from 2006. As a result, Chinasoft Resources Shanghai is subject to the income tax computed at the rate of 12.5% for the three years ended 31 December 2010 (2007: nil).

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

	2008	2007
	RMB'000	*RMB'000*
Profit before taxation	**80,979**	131,448
Tax at PRC Enterprise Income Tax rate of 25% (2007: 33%)	**20,245**	43,378
Tax effect of share of results of associates	**(720)**	(1,097)
Tax effect attributable to tax exemptions and concessions granted to PRC subsidiaries	**(15,298)**	(33,053)
Tax effect of expenses not deductible for tax purpose	**18,064**	20,495
Tax effect of income not taxable for tax purpose	**(17,745)**	(21,839)
Under (over) provision in prior year	**26**	(2,960)
Tax effect of utilisation of tax losses previously not recognised	**(75)**	(430)
Tax effect of tax losses not recognised	**2,866**	3,009
Effect of different tax rate of subsidiaries	**(148)**	(32)
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	**(349)**	–
Effect of different tax rate used in recognition of deferred tax	**2,388**	1,437
Tax charge for the year	**9,254**	8,908

6. PROFIT (LOSS) FOR THE YEAR

	2008	2007
	RMB'000	*RMB'000*
Profit (loss) for the year has been arrived at after charging:		
Directors' remuneration	**10,019**	6,480
Other staff costs	**353,190**	227,888
Retirement benefit costs	**28,250**	15,467
Share option expenses (excluding Directors)	**9,215**	12,145
Total staff costs	**400,674**	261,980
Less: Staff costs capitalised as development costs	**(10,317)**	(9,449)
	390,357	252,531
Share option expenses		
– granted to customers	**–**	57
	–	57
Allowance for inventories	**3,408**	1,735
Research and development costs expensed	**16,329**	5,070
Less: Government grants	**(641)**	(915)
	15,688	4,155
Auditor's remuneration	**3,336**	5,187
Cost of inventories recognised as an expense	**217,851**	242,521
Depreciation of property, plant and equipment	**17,733**	12,116
Loss on disposal of property, plant and equipment	**183**	509
Minimum lease payments in respect of buildings	**35,914**	31,830
and after crediting:		
Dividend income from held-for-trading investment	**–**	5
Gain on fair value change on held-for-trading investment	**–**	29
Interest income from bank balances and cash	**1,901**	1,338
Government grants	**4,623**	3,198
Net foreign exchange gain	**11,548**	1,059
Tax incentive subsidies	**3,275**	3,428

7. DIVIDEND

	2008 *RMB'000*	2007 *RMB'000*
Dividend recognised as distribution during the year:		
Final paid HK0.5 cents per share (2007: HK0.1 cents), equivalent to RMB0.5 cents per share	**4,406**	797

No final dividend has been proposed by the directors for the year.

8. EARNINGS (LOSS) PER SHARE

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

	2008 *RMB'000*	2007 *RMB'000*
Earnings for the purposes of calculating basic earnings per share	**63,335**	115,445
Exchange adjustment	**(11,260)**	(15,033)
Gain arising from changes in fair value of redeemable convertible preferred shares	**(54,487)**	(46,102)
(Loss)/earnings for the purposes of calculating diluted (loss)/earnings per share	**(2,412)**	54,310

	Number of shares	
	2008	2007
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,000,707,872**	858,956,125
Effect of dilutive potential ordinary shares:		
Issuable under the Company's share option scheme	**15,033,789**	49,368,226
Conversion of the redeemable convertible preferred shares	**194,500,000**	194,500,000
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,210,241,661**	1,102,824,351

9. GOODWILL

	RMB'000
COST	
At 1 January 2007	141,145
Arising on acquisition of subsidiaries	304,848
At 31 December 2007	445,993
Arising on acquisition of subsidiaries	12,880
Arising on acquisition of additional interest in subsidiary	6,109
At 31 December 2008	464,982
IMPAIRMENT	
At 1 January 2007 and 31 December 2007	988
Impairment loss recognised for the year	17,387
At 31 December 2008	18,375
CARRYING VALUES	
At 31 December 2008	446,607
At 31 December 2007	445,005

Note: In October 2008, the Group acquired 20% additional interest of a subsidiary, Chinasoft Resources Shanghai for a cash consideration of RMB8,447,000. The carrying value of the net assets acquired are RMB2,338,000.

Impairment testing on goodwill

The Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, the carrying amount of goodwill (net of impairment loss) as at 31 December 2008 and 2007 has been allocated as follows:

	2008	2007
	RMB'000	*RMB'000*
Solutions		
– HGR and its subsidiaries *(note 1)*	**134,188**	134,188
– Sino Sunnyever	**2,669**	–
	136,857	134,188
IT outsourcing		
– Cyber Resources	**31,963**	31,963
– Chinasoft Resources Beijing	**80,968**	80,968
– HGR and its subsidiaries *(note 1)*	**163,484**	170,660
– Chinasoft Resources Shanghai	**6,109**	–
	282,524	283,591
IT consulting and training services	**830**	830
Chinasoft Beijing *(note 2)*	**26,396**	26,396
	446,607	445,005

Notes:

(1) The total carrying amount of goodwill of RMB297,672,000 was resulted from the acquisition of HGR and its subsidiaries in 2007. The goodwill contributes to the cash flows of both the solutions and IT outsourcing business segments.

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

During the year ended 31 December 2008, the Group recognised an impairment loss of RMB17,387,000, including goodwill arising on acquisition of HGR and its subsidiaries of RMB7,176,000 and goodwill arising from the acquisition of Japan Powerise of RMB10,211,000 in the current year.

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

IT outsourcing (other than HGR and its subsidiaries and Japan Powerise)

The recoverable amount of this CGU is fair value less costs to sell and has been determined based on the valuation at 31 December 2008 and 2007 prepared by independent professional valuers. The valuation is based on the management's 2008 financial information and a weighted average of market value of invested capital over earnings before interest and taxation of 14 (2007: 26) and that over earnings of 17 (2007: 29) based on comparable companies in the relevant industry.

IT consulting and training services

The recoverable amount of this CGU is fair value less costs to sell and has been determined based on the valuation at 31 December 2008 and 2007 prepared by independent professional valuers. The valuation is based on the management's 2008 financial information and a weighted average of market value of invested capital over earnings before interest and taxation of 14 (2007: 26) and that over earnings of 17 (2007: 29) based on comparable companies in the relevant industry.

Chinasoft Beijing

The recoverable amount of this CGU is fair value less costs to sell and has been determined based on the valuation at 31 December 2008 and 2007 prepared by independent professional valuers. The valuation is based on the management's 2008 financial information and a weighted average of market value of invested capital over earnings before interest and taxation of 14 (2007: 26) and that over earnings of 17 (2007: 29) based on comparable companies in the relevant industry.

HGR and its subsidiaries

The recoverable amounts of HGR and its subsidiaries (the "HGR Group"), representing that for the CGUs of solution and IT outsourcing business segments, have been determined based on a value in use calculation. These two business segments generate cash flows seperately and the calculation used for cash flow projections base on financial budgets approved by management covering a five-year period, and a discount rate of 17% (2007: 16.9%). The cash flows of HGR Group beyond the five-year period are extrapolated using a steady 3% (2007: 3%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Since the HGR Group specialises in the solutions and IT outsourcing businesses, management of the Group believes that the projected growth rates are reasonable. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the past performance of the HGR Group and management's expectations for the market development. As at 31 December 2008, the goodwill in relation to the IT outsoucing business segment amounting to RMB7,176,000 was impaired.

Japan Powerise

The recoverable amount of Japan Powerise representing that for the CGU of IT outsourcing business segment, has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 18.15%. The cash flows of Japan Powerise beyond the five-year period are extrapolated using a steady 3% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Since Japan Powerise specialises in the IT outsourcing businesses, management of the Group believes that the projected growth rates are reasonable. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the past performance of Japan Powerise and management's expectations for the market development. As at 31 December 2008, the goodwill in relation to the acquisition of Japan Powerise amounting to RMB10,211,000 was fully impaired.

Sino Sunnyever

The recoverable amount of Sino Sunnyever representing that for the CGU of Solution business segment has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 19.65%. The cash flows of Sino Sunnyever beyond the five-year period are extrapolated using a steady 3% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Since Sino Sunnyever specialises in the Solution business, management of the Group believes that the projected growth rates are reasonable. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the past performance of Sino Sunnyever and management's expectations for the market development.

10. TRADE AND OTHER RECEIVABLES

	2008	2007
	RMB'000	*RMB'000*
Trade receivables	**363,713**	373,490
Less: Allowance for doubtful debts	**(34,783)**	(17,984)
	328,930	355,506
Trade receivable from an associate	**–**	491
Trade receivables from related companies	**3,363**	26,924
	332,293	382,921
Advances to suppliers	**9,888**	8,187
Deposits, prepayments and other receivables	**55,239**	41,445
	397,420	432,553

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

	2008	2007
	RMB'000	*RMB'000*
Within 90 days	**175,561**	152,256
Between 91-180 days	**26,288**	87,884
Between 181–365 days	**29,045**	96,747
Between 1–2 years	**89,530**	40,669
Over 2 years	**11,869**	5,365
	332,293	382,921

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by each customer. Limits attributed to customers are reviewed each time when sales are made. 44% (2007: 15%) of the trade receivables that are neither past due nor impaired have the best credit quality assessed by the Group.

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of RMB173,328,000 (2007: RMB324,302,000) which are past due at the reporting date for which the Group has not provided for an impairment loss as the Group is satisfied with the subsequent settlement and the credit quality of these customers had not been deteriorated. Accordingly the Group does not considers these balances impaired. The Group does not hold any collateral over these balances. The average age of these receivables is 271 days (2007: 259 days).

11. TRADE AND OTHER PAYABLES

	2008	2007
	RMB'000	*RMB'000*
Trade payables	**149,145**	151,649
Trade payable to an associate	**2,114**	–
Trade payable to a related company	**354**	–
Deposits received from customers	**6,033**	38,315
Other payables and accrued charges	**124,476**	94,540
	282,122	284,504

An aged analysis of trade payables is as follows:

	2008	2007
	RMB'000	*RMB'000*
Within 90 days	**88,543**	67,079
Between 91 – 180 days	**14,480**	23,508
Between 181 – 365 days	**13,493**	30,131
Between 1 – 2 years	**22,178**	23,147
Over 2 years	**12,919**	7,784
	151,613	151,649

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

Note: Trade payable to a related company represents a payable to a subsidiary of one of the Company's shareholders.

12. REDEEMABLE CONVERTIBLE PREFERRED SHARES

	Number of shares	Nominal amount
		HK$'000
Redeemable convertible preferred shares (the "Series A Preferred Shares") of HK$0.05 each:		
Authorised		
Balance at 31 December 2007 and 2008	625,000,000	31,250
Issued and fully paid		
Issued during the year and balance at 31 December 2007 and 2008	194,500,000	9,725

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

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

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

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

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

At 31 December 2008 and 2007, the fair value of the liability component of the Series A Preferred Shares was estimated by using market interest rates of 16.19% and 11.59% respectively. The fair value of the embedded derivatives (including the redemption option and conversion option) is calculated using the binomial option pricing model. The inputs into the model were as follows:

	2008	2007
Share price	**HK$0.58**	HK$1.40
Exercise price	**HK$0.8**	HK$0.8
Time to maturity	**3 years**	4 years
Risk free rate	**0.786%**	2.94%
Share price volatility	**63.42%**	41.99%

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

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

	Liability component	**Derivative component**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2007	129,455	142,927	272,382
Exchange adjustment	(7,761)	(7,272)	(15,033)
Loss (gain) arising from changes in fair value	6,059	(52,161)	(46,102)
Interest paid	(10,162)	–	(10,162)
As at 31 December 2007	117,591	83,494	201,085
Exchange adjustment	(6,849)	(4,411)	(11,260)
Loss (gain) arising from changes in fair value	1,455	(55,942)	(54,487)
Interest paid	(7,639)	–	(7,639)
As at 31 December 2008	104,558	23,141	127,699

Included in the gain arising from changes of fair value is an interest expense of RMB7,634,000 (2007: RMB8,286,000) determined using the effective interest method.

MANAGEMENT DISCUSSION AND ANALYSES

FINANCIAL REVIEW

For the year ended December 31	**2008** *RMB'000*	2007 *RMB'000*	Better/ (Worse) y-o-y
Turnover	**983,372**	811,552	21%
Cost of sales	**(709,227)**	(545,157)	30%
Gross profit	**274,145**	266,395	3%
Gross margin	**27.88%**	32.83%	(4%)
Other operating income	**26,769**	11,714	129%
Selling & distribution costs	**(47,494)**	(45,456)	4%
Administrative expenses (excluding depreciation and amortization)	**(153,459)**	(118,912)	29%
Allowance for doubtful debts	**(16,799)**	(2,820)	496%
EBITDA	**83,162**	110,921	(25%)
EBITDA margin	**8.46%**	13.67%	5%
Depreciation	**(17,733)**	(12,116)	46%
EBITA	**65,429**	98,805	(34%)
Amortization of intangible assets & trademark use right	**(21,586)**	(14,514)	49%
Impairment loss recognized in respect of technical expertise	**–**	(1,735)	N/A
Impairment loss recognized in respect of available-for-sale investment	**–**	(59)	N/A
Impairment loss recognized in respect of goodwill	**(17,387)**	–	N/A
Profit from operations	**26,456**	82,497	(68%)
Finance costs	**(2,842)**	(474)	500%
Share of results of associates	**2,878**	3,323	(13%)
Gain arising from changes in fair value of redeemable convertible preferred shares	**54,487**	46,102	18%
Profit before taxation	**80,979**	131,448	(38%)
Taxation	**(9,254)**	(8,908)	4%
Profit for the year	**71,725**	122,540	(41%)
Net margin	**7.29%**	15.09%	(8%)

The management is pleased to present our audited consolidated income statement for the year ended 31 December 2008 in the above format.

Turnover

Breakdown of turnover of the Group for the year ended 31 December 2008 by category of services and products.

	2008		2007		Increase/ (Decrease)	
	Turnover		Turnover		Turnover	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Solutions	**597,306**	**61%**	515,947	64%	81,359	16%
IT outsourcing	**344,737**	**35%**	236,420	29%	108,317	46%
IT consulting and training services	**19,105**	**2%**	19,691	2%	(586)	(3%)
Standalone software and hardware products	**22,224**	**2%**	39,494	5%	(17,270)	(44%)
Total	**983,372**	**100%**	811,552	100%	171,820	21%

For the year ended 31 December 2008, the Group achieved a turnover of RMB983,372,000, representing an increase of 21% when compared to last year. The growth of approximately RMB108.3 million in the IT outsourcing business contributed most to the increase in turnover.

Gross Profit / Gross Profit Margin / EBITDA / EBITDA Margin / EBITA / EBITA Margin

	2008		2007		Increase/(Decrease)		
	RMB'000	***Margin***	*RMB'000*	*Margin*	*RMB'000*	*%*	*Margin*
Gross Profit	**274,145**	**27.88%**	266,395	32.83%	7,750	3%	(4.95%)
EBITDA	**83,162**	**8.46%**	110,921	13.67%	(27,759)	(25%)	(5.21%)
EBITA	**65,429**	**6.65%**	98,805	12.17%	(33,376)	(34%)	(5.52%)

In the reporting period, the gross profit and EBITDA amounted to approximately RMB274,145,000 and RMB83,162,000 respectively, representing an increase of 3% and a decrease of 25% when compared to the year 2007. The gross profit margin and EBITDA margin of the Group were approximately 27.9% and 8.5% respectively (2007: 32.8% and 13.7% respectively), representing decreases of 4.9% and 5.2% compared to the same period last year. The main reasons for the decreases of gross profit margin and EBITDA margin were as follows: (i) the occurrence of various natural disasters such as rainstorms, snowstorms and earthquakes and the organization of the Beijing Olympic Games in 2008 had objectively shifted many priorities of governmental authorities and state-owned enterprises, causing them to postpone most of their IT construction projects and consequently the arrangement of public tenders for these projects. Besides, some of the major projects originally contemplated could not be activated as scheduled, which materially affected the Group's domestic solutions business; (ii) the gross profit margin of HGR's business acquired in the second half of 2007 was lower than that of the original business of the Group; (iii) the gross profit margin from the sales of the Group's non-strategic software and hardware products decreased compared to the same period last year; (iv) the overall labor cost increased substantially as compared to the same period last year due to the implementation of new Labor Law in China; (v) the Group recognized the preliminary investments and expanses of some major projects as costs for the period out of caution; (vi) according to our development strategy, the percentage share of IT sourcing has increased and the gross profit margin of sourcing business was slightly lower than that of solutions business. The Group recorded a significant drop in the EBITDA and EBITDA margin in the reporting period since the Group took a prudent approach to increase the allowance for doubtful debts provided for the year to approximately RMB16,799,000 in view of the global financial crisis. EBITA dropped by 34% to RMB65,429,000 approximately due to the depreciation increased by 46% when compared to last year. Also on one hand, an increase of 29% in administrative expenses excluding depreciation and amortization compared to the same period last year as a result of growth in scale of the originally business and the overall acquisition of HGR; and on the other hand, a substantial increase in provision for doubtful debts in 2008 compared to the same period last year due to expected uncertainty arising from the economic crisis and the capital market.

Other Income

During the reporting period, the Group achieved an other income of RMB26,769,000 approximately which mainly included government grants of RMB4,623,000, tax incentive subsidies of RMB3,275,000, net foreign exchange gain of RMB2,288,000 and interest income of RMB1,901,000.

Expenses

The selling and distribution costs increased only by 4% to approximately RMB47,494,000 (2007: RMB45,456,000) compared to an 21% increase in turnover. With the use of a new computer system for project management, the Group has a better control on the selling and distribution costs, which lowers the ratio of selling and distribution costs to turnover to 4.8% for the year 2008 (2007: approximately 5.6%).

The administrative expenses (excluding depreciation of approximately RMB17,733,000) of approximately RMB153,459,000 (2007: 118,912,000) was recorded. The increase of 29% when compared to last year was mainly due to the implementation of the new labour law in the PRC, which increased the staff cost accordingly, and a full year of administration expenses incurred by HGR Group and its subsidiaries were absorbed in the year after acquiring HGR Group during the third quarter of 2007. The ratio of administrative expenses (net) to turnover was 15.6% (2007: approximately 14.7%).

The depreciation for the reporting period increased by 46% to approximately RMB17,733,000 (2007: RMB12,116,000) was mainly due to a full year of depreciation of HGR Group was taken up for the year. Also, to cope with the growth of the Group, more fixed assets were acquired during the year and led to an increase in the depreciation charge accordingly.

The amortization of intangible assets and trademark use right increased by 49% to approximately RMB21,586,000 (2007: RMB14,514,000). The increase of RMB7.1 million was mainly contributed by the amortization of customer relationship and development cost. The customer relationship was acquired through acquiring HGR and its subsidiaries during the third quarter of 2007, full year of amortization was recorded for the year ended 2008. The amortization of development cost increased in line with the increase of approximately RMB11.1 million invested in research and development projects for the current reporting period.

Suffering from the financial tsunami, an impairment loss recognized in respect of goodwill of RMB17,387,000 (2007: Nil) was recorded for the year. This impairment loss related to the goodwill arising on acquisition of HGR and its subsidiaries and Japan Powerise.

Taxation

The taxation for the reporting period increased by 3.9% was mainly due to a higher tax rate for newly-acquired overseas subsidiaries and the expiration of the tax preferential period enjoyed by some subsidiaries. Therefore the tax charge increased accordingly and neutraulize the drop in tax charge due to decrease in profit. Futhermore, those non-cash items (e.g. impairment loss) were excluded from the tax calculation which also increase the taxable profit for the year.

Profit

For the year ended 31 December 2008, the Company realized net profit for the year of RMB71,725,000, representing a drop of 41% compared to the same period last year except for the effect of non-cash profit and loss from preferred shares, the main reasons for the decrease in net profit and EBITDA were as follows: (i) the increase in depreciation and amortization as a result of growth in scale of fixed and intangible assets; (ii) the effect of non-cash loss arising from cautious evaluation of goodwill and partial impairment made due to expected uncertainty arising from the economic crisis and the capital market.

With respect to professional personnel, we employed a total of 4,816 staff, representing an increase of 453 from 4,363 of the end of last year. 53% of the growth in headcount was due to the increase in solutions business personnel, 36% was due to the increase in IT outsourcing business personnel.

Regarding the business itself, turnover from solutions business and IT outsourcing, two of our main businesses accounted for 63% and 35% of the Group's overall turnover respectively (2007: approximately 64% and 29%), of which revenue from services accounted for 53% and 44% of the overall revenue from services (2007: approximately 52% and 44%).

The ratio of distribution costs to turnover was 4.8%, representing a decrease of 0.8% from 5.6% of last year; the ratio of administrative expenses excluding depreciation and amortization to turnover was 15.6%, representing an increase of 0.9% from 14.7% of the same period last year, but the ratio of administrative expenses excluding depreciation and amortization to revenue from services was 19.9%, representing a decrease of 1.4% from 21.3% of the same period last year. With our further optimization of management structure and enhancement of integration and interaction, supplementing competitive advantage, resources sharing between the business teams, the Group's cost structure will be more reasonalble and effective.

EPS

Basic EPS was RMB0.0633 (2007: RMB0.1344)

BUSINESS REVIEW

During the reporting period, the Group's overall business revenue amounted to RMB983 million, of which revenue of services business amounted to RMB714 million, representing an increase of 21% and 44% compared to the same period last year.

The Group realized the transfer of listing from the Growth Enterprise Market ("GEM") to the Main Board of the Hong Kong Stock Exchange in 2008. During the five years of listing on the GEM of the Hong Kong Stock Exchange, Chinasoft International won the recognition for its comprehensive strength and development potential from investors and the Hong Kong Stock Exchange by leveraging on the right strategic planning and suitable business mode to achieve sustained and stable pace of development.

During the reporting period, the Group had enriched the meaning of "Comprehensive Platform of Intelli-ed in China" ("中國智造綜合平台"), which was established by Chinasoft International, and advanced its practice of becoming an all-rounded, global IT services provider by adhering to its business development strategy in term of "Consolidation of resource in leading verticals, innovation through interaction" so as to further integrate the competitive advantages of the Group's existing industry solution business and IT outsourcing services business. On one hand, industry solution business maintained its steady and sound development, and based on the extensive business experience and technology and skills accumulated through conducting the business in dominant industries, the Group was able to further expand IT outsourcing services rendered to domestic and overseas clients by the industry and similar industries; on the other hand, with rapid development of the IT outsourcing services business, the Group was able to capitalize on its existing domestic industrial experience to work with MNC clients with an aim to expand their solution businesses in China. By way of introducing advanced industrial management experience worldwide, the Group could deeply identify the business needs of domestic industrial clients and help them expand their solution businesses.

During the reporting period, the Group was committed to set its overall goals as corporate profitability, social responsibility and concern for people's livelihood. With its sustained outstanding results and performance, brand influence and quality products and services, the Group contributed to the continuous advancement of China's IT services industry and progressively established itself as a world famous brand name; meanwhile, the Group achieved excellent outcome in the domain of building corporate management information system and gradually formed unified corporate culture with the characteristics of Chinasoft International by strengthening its internal operation management.

During the reporting period, the Group sustained steady growth in its core business based on the "Human Resources Supply Chain" created by ETC (Excellence Training Center). Industry solution business had not only further established itself in industries with competitive advantages such as government, financial industry, urban construction and manufacturing industry but also continued to expand into new industries; IT outsourcing services business continued to provide quality services to clients and win various commendations from clients.

The fact that China was hit by a series of natural disasters such as snowstorm and earthquake in 2008, and the change of focus brought forward by the Olympics had caused certain government institutions to adjust their IT buildup plans and postpone the IT implementation originally scheduled in the reporting period. At the same time, the chain effect of the global economic crisis had extended to the Group's solution and IT outsourcing services businesses, which resulted in a slowdown effect in the gain and profit of our business during the reporting period.

As at the end of 2008, we employed a total of 4,816 staff, representing a large increase of 453 compared to the same period last year. 36% of the growth in headcount was due to the increase in IT sourcing business, 53% was due to the increase in industry solution. The growth in headcount was fully in line with the balanced development of our different business lines. During the reporting period, the Group endeavored to provide more timely and caring services for its clients by further developing its professional senior management team and attracting a number of management personnel with years of working experience gained in large enterprises in the industry to join Chinasoft International.

Status of Business Development

During the reporting period, the Group continued to reinforce the competitive positions of all its businesses in the existing industries and also attached great importance to expanding into new industries and markets.

Under the influence of macro-economic situations internally and some incidents happened domestically, the Group's results for the reporting period showed slower growth trend despite all its businesses attained steady development.

ResourceOne, the platform product of our proprietary research and development, has been chosen for various "e-" projects of the State; TopLink/TSA+ series products had also been applied for several times in the construction of "cross-bank and cross-area online bank cards businesses in general China Unipay center and national and provincial bank card switching centers" project. During the reporting period, the Group further increased its investments in the construction of elementary technology platform, whereby Chinasoft had become a strategic cooperating unit of the Internet Open Standard Laboratory of China Electronics Standardization Institute for the national SOA standard. Among its proprietary research and development businesses, ResourceOne V4.0.0, the first version of the fourth generation of ResourceOne, was officially released after passing the acceptance test conducted by the expert team from the National High-tech Industry Development Project. Furthermore, ResourceOne was listed in SOA Product Catalogue.

Meanwhile, the Group attached great importance to cooperation with renowned enterprises both internationally and domestically. As a leading partner of IBM SOA, the Group worked together with IBM in setting up Chinasoft International SOA Innovation Center with the aim to jointly promote the technological innovation of the software industry. During the reporting period, a total of 13 staff members of the Group passed IBM SOA Level 2 training and certification.

Government and Manufacturing Industry

The Group's government and manufacture segment cover a customer base comprising mainly government departments and large state-owned enterprises with Chinese characteristics and clear vertical management need in various supervisory business domain.

The Group had for a number of times undertaken e-Government resolutions for Ministry of Agriculture, Ministry of Human Resources and Social Security, State Auditing Administration, State General Administration of Quality Supervision, Inspection and Quarantine, State Food and Drug Administration and the like in respect of food and drug regulation and state-owned enterprise regulation. During the reporting period, with the "e-" projects of national informationization and business and technical competitive advantage accumulated over the years in various supervisory business domains, the Group continued to provide high-level resolutions and IT services to the customers in the government and manufacture segment.

During the reporting period, "trainable business", "transferable talents" and "reusable services" were combined together for the e-Government business to establish COE in Changsha City, which was an attempt beneficial to the "unified submission" regardless of the contents, domains or regions of services.

During the reporting period, the Group continued to promote the application, implementation and deployment of the two systems of e-Audit project Phase 1 at the city and district levels. The advanced technology, stability, functions and scale of this system as well as our good services were highly recognized by audit system clients. At the same time, the Group successfully bid for the "e-Audit Project (Phase 2) Application System Integration and Development Project" and signed province-wide "Audit Management System Implementation and Service Contract" with the Audit Bureau of the Inner Mongolia Autonomous Region, the Audit Bureau of Hebei province and the Audit Bureau of Qinghai province respectively. The core application of "e-Audit Project (Phase 2)" was gradually adopted nationwide: the Nanjing Land Tax Intranet Audit Project successfully passed inspection in January; the Henan Provincial Land Tax Intranet Audit Project was signed in June; trial runs of the Social Security Intranet Audit were expanded; the Chongqing Municipal Audit Bureau, the Henan Provincial Audit Office, and Shanghai Municipal Audit Bureau activated their respective Social Security Intranet Audit Implementation Projects; the promotion of intranet audit system at district and county level was successful as the system was deployed and implemented by over 50 audit authorities at district and county level nationwide at the end of 2008, resulting in the dynamic monitoring of financial funds at district and county level and the establishment of the "immune system" for such funds.

During the reporting period, the Group was awarded the tenders of and activated the "e-Security Project partial unified application software integration implementation project" for the Ministry of Human Resources and Social Security; the general integration of the state-owned assets supervision and administration project (Phase 1) for the State-owned Assets Supervision and Administration Commission (SASAC), of which the Group was the general integration provider and would build key application systems such as data collection system and data center. At the same time, the Group entered into the contract of "e-Agriculture" Project (Phase 1) general integration and development of related systems with Ministry of Agriculture, and became the general integration provider for the project; entered into the cooperation agreement in relation to the "System for management of information system for punishment and prevention of corruption of central enterprises" with the SASAC to develop and deploy the system for the SASAC; and entered into the memorandum of understanding with the State Food and Drug Administration, under which the Group will utilize the platform software it developed to design a set of unified technology and platform for the FDA and provide integrated services including consultation, project management, application development, technical support and training for the informationization of the food and drug system. Meanwhile, "e-Agriculture" Project (Phase 1) general integration and development of related systems project successfully passed expert appraisal of its overall design plan, and the experimental work for the software developed for the supervision of Social Security Fund under "e-Security Project" (Phase 1) for the Ministry of Labour was completed and passed trial run.

The Group was able to provides comprehensive services from management consultancy, business consultation, software development, project implementation to day-to-day system operation maintenance for large and medium-sized manufacturers, our business scope covers ERP, MES, industrial and commercial logistics, industrial and commercial marketing, commercial network set up, data center, office automation, enterprise application integration etc. The Group had successfully provided high-quality services to various industries, including the tobacco, high technology, consumer goods, and food industries.

As a long term strategic partner of the State Tobacco Monopoly Administration, the Group further fueled the promotion and implementation of the "State Tobacco Monopoly Administration carton–level tobacco track and trace system and purchase order information collecting system" project on a nationwide scale during the reporting period. Implementation and deployment services for more than 300 tobacco companies was provided. During the reporting period, the Group was successfully awarded the tender of and activated the corporate portal and cooperation office platform project for Central Fujian Tobacco Industry Company, and the MES system project for the production base in Guangzhou of Central Guangdong Tobacco Industry Company Limited; signed the contract in relation to the "MES system project for Qingzhou Cigarette Factory of Central Shandong Tobacco Industry Company"; meanwhile, the Group passed the inspection on its CIMS projects for Central Shandong Tobacco Industry Company.

Financial and Banking Services Industry

The business scope of the Group's financial and banking services covers financial payment, settlement, exchange domains and the development and application services of various kinds of card-based businesses and financial management. The Group had focused on providing industry solution and IT outsourcing services for clients from financial and banking institutions and Quasifinancial domains, including public transportation, ticketing classification, social security (card) and civil aviation, over the years.

During the reporting period, "TOP FCS railroad transport 'One ticket all transit' ('一票換乘') funds classification and settlement application software V1.0.0" product developed by the Group was awarded "2008 China's Top Ten Innovative Software Products" at the China Software Industry Development and Corporate Innovation Summit organized by China Software Industry Association. At the 15th anniversary celebration of national "Gold Card Project" organized by the Ministry of Information industry, "Communications One Card System" of Shanghai Huateng Software Systems Co., Ltd., a subsidiary of the Group focusing on financial and banking businesses, was awarded the "Best Software Platform" of the "Golden Ants Award Series", the highest award of the state "Gold Card Project" granted by the Office of the State Gold Card Project Coordination Group.

As the nation's pioneer total integration and software development enterprise to have successfully implemented the "one ticket all transit" and the "Multi-pass" projects for urban railroad transport, the Group had, during the reporting period, secured by contract the largest project in the market of ticketing informatization for Shanghai Metro, i.e., the ticketing system of Shanghai Metro Line 7 and Line 11.

During the reporting period, the Group was successfully awarded the tenders of and activated projects such as the "application integration platform system construction project" of the China Securities Regulatory Commission, the "one ticket all transit" funds classification and settlement system for Chongqing railroad transport classification system project, "IC card data center processing system for construction businesses" project, the small enterprise loan management of Bank of Communications, AMLKYC system development of Sumitomo Bank (井住友銀行), new accounting standards conversion system development of Sumitomo Mitsui (三井住友), in addition to being awarded the tenders of and activated the projects such as IC card data center processing system for construction businesses, and Shanghai social security card and senior citizen card system. Meanwhile, the National Post Remittance Macro Centralized System developed by the Group successfully passed the trial run; the World Expo ticketing system (Phase 1) successfully entered the trial run stage; the "Urban Multi-pass" project of Hefei City was formally launched; bus rapid transit (BRT) project in Xiamen was officially put into operation.

Hi-tech MNC IT Services

The Group's Hi-tech MNC IT services catered to clients from multinational and technological companies whose headquarters were in Europe and America. The major services provided by the Group to such customers were full range IT technical services, including: corporate customized application development, corporate application integration, business intelligence and data exploration, implementation and deployment of corporate IT systems, independent testing services, software localization and globalization, software product engineering, technical support and maintenance, in-bedded software development.

As one of the leading IT outsourcing services providers in China, the Group's IT outsourcing services business had expanded into various domains such as transportation, financial, consumer packaged goods, telecommunication, life and pharmaceutical and high technology industries, and interacted well with domestic solution business. Besides "traditional" IT outsourcing services, the Group, leveraging on its leading position in China market, was able to assist overseas clients to have a quick understanding of China market and identify new business opportunities. Meanwhile, the Group was able to, by virtue of its wide network of submission centers, capitalize on global resources and its leading proprietary technical strength to help clients coping with constantly and rapidly changing business challenges.

The Group had been issued ISO 9000, ISO 27001 and CMMI 3 certifications. During the reporting period, the Group had over 800 engineers providing outsourcing services for Microsoft and ranked the first in China in term of sales as a supplier for Microsoft. The office premise of the Group's Hi-tech MNC IT outsourcing services business successfully passed information security system certification oversight audit and received the annual audit certificate. The Group was awarded "Top 10 Chinese Enterprises in Software R&D Capacity 2008" and "Top 10 Chinese Enterprises in Software Outsourcing R&D Capacity 2008" at the "Sixth China International Software Cooperation Forum".

Information Processing and Engineering Design IT Services

The Group's IT services business in the domains of information processing and engineering design was targeted at clients in Japanese market. The major services provided by the Group to these clients were: call center, data processing, front-page processing of publications, and CAD services for construction and manufacturing domains.

The Group had over ten years experience in data processing and engineering design domains, providing IT services to more than 100 global companies. At the present, we have almost a thousand staff members providing multilingual IT services in a wide range of industries, both domestically and internationally, such as information technology, manufacturing industry, financial services, education, health care institutions, transportation and government agencies. During the reporting period, the Group further expanded the scale of its data processing and engineering design services business and received various awards from clients. During the reporting period, the Group was awarded "Advanced Unit for Development in Software and Service Outsourcing Industry in Dalian (大連市軟件和服務外包產業發展先進單位)"; and "ChinaSourcing First Session BOP Top 10 Outstanding Outsourcing Enterprises" at the 2008 ChinaSourcing Summit.

Excellence Training Centers (ETC)

During the reporting period, the Group's Excellence Training Centers supported the construction of the "IT Industry Human Resources Supply Chain" of the Group with comprehensive training for IT talents, meanwhile, Excellence Training Centers realized an interactive and sizable mutual development with the Group's industry solution business and IT services business.

In the construction of practical training centers, beside further expanding the business scale of ETC in Beijing, the Group actively promoted the establishment of practical training centers in Wuxi, Changsha, Chongqing, Dalian and Xiamen, forming sizable IT vocational education system. Currently, ETC of Chinasoft International had established cooperation with over 200 higher education institutes on solid practical training for talents and had functioned as the talent bank of the Group, training and providing high caliber software talents to various business departments. The corporate objectives of Chinasoft International integrated the prospect of China and the motive power of the development of investment and economy, in order to make contribution to the longterm goal of implementing a knowledge-based economy of "manufacturing by intelligence" from "only manufacturing" in China.

During the reporting period, traditional IT training business in the training centers developed well. In 2008, ETC of Chinasoft International had further intensive cooperation with a number of multinationals and developed various brand new talent training projects: the Sharepoint talent training project was jointly developed with Microsoft, the SOA practical training center was jointly established with IBM, the Java advanced technology practical training center was jointly constructed with Sun, and maintained good cooperation with multinational companies such as Microsoft, IBM and Sun, a total of 82 classes were offered, with 2,870 students completed such training.

As the training base of the Group, Excellence Training Centers not only provide a large number of back up personnel for the Group internally, but also improve the existing staff's technical and project management ability through sustainable internal training such that they grow up rapidly to become business key personnel meeting work requirements. During the reporting period, a total of 610 internal staff of the Group participated the internal training from the training centers.

Capital Operation

- *100% acquisition of Zhongke Jiuhui Information Automation Company Limited*
  Zhongke Jiuhui is a technical type of manufacturer, it has been focusing on the development in the tobacco industry for years, and possesses ERP/MES core technologies and mature solutions, which may effectively complement each other with the Group in business structures as well as technology solutions. Through the 100% acquisition of Zhongke Jiuhui, the Group may achieve its strategic target of a quick entering into the core business information areas of industrial and commercial enterprises, thus formulate the Group's specialized capability in production execution systems in the tobacco industry, build its competitive edge, and form a solid foundation for the Group's sustainable development in the area of tobacco industry.

- *Further increase of shareholdings of the Group in its controlled subsidiary, Shanghai Chinasoft Resources Information Technology Services Limited*
  During the reporting period, in order to further enhance its ITO business, strengthen and develop its cooperation relationship with strategic clients, the Group agreed with other shareholders of Shanghai Chinasoft Resources to increase percentage of shareholdings of the Group in the subsidiary, thus achieved absolute control over Shanghai Chinasoft Resources, and effectively enhanced the overall strategies of the Group.

Entering into letter of intent of cooperation with Zhonghuawang Software Company

During the reporting period, the Group entered into a letter of intent of cooperation with Zhnoghuawang Software Company, so as to fully utilize the existing resources of the parties, to commence overall cooperation in the industry solutions market in China and the international IT services market, thus enjoy the synergy effect and the win-win development. Meanwhile, together with such upgrade in cooperation, the parties will further explore cooperation opportunities in capital investments.

Awards Received

During the reporting period, the Group had the following rewards and recognitions:

- **Awarded “2007 National Top-tier Domestic Software Enterprise”**

- **Awarded “2008 China’s Top Ten Innovative Software Products”**

  Recently, “TOP FCS railroad transport ‘One ticket all transit’ (‘一票換乘’) funds classification and settlement application software V1.0.0” product developed by Shanghai Huateng Software Systems Co., Ltd., a member enterprise of the Group, was awarded “2008 China’s Top Ten Innovative Software Products” at the China Software Industry Development cum Corporate Innovation Summit organized by China Software Industry Association.

- **Awarded 2008 China Software Service Outsourcing “Star Brand”**

  The Group was awarded 2008 China Software Export and Service Outsourcing “Star Brand” at 2008 Asia-Pacific Service Outsourcing International Conference.

- **Become a top partner for IBM’s Service Oriented Architecture (SOA) and will construct an SOA Creative Center together with IBM**

- **Awarded “IBM Asia Pacific Outstanding Business Cooperation Partner 2008” by IBM**

- **Ranked fifth on Outsourcing China’s “China Services Outsourcing Enterprises Top 50 Best Practice Ranking”**

- **Awarded “Top 10 Chinese Enterprises in Software R&D Capacity 2008” and “Top 10 Chinese Enterprises in Software Outsourcing R&D Capacity 2008” at the “Sixth China International Software Cooperation Forum”**

- **Awarded “Golden Ants Award Series”**
  “Communications One Card System” of the Group was awarded the “Best Software Platform” of the “Golden Ants Award Series”, the highest award of the state “Gold Card Project” granted by the Office of the State Gold Card Project Coordination Group at the fifteenth anniversary of the “Gold Card Project” held by the Ministry of Information Industry.

- **Awarded "ChinaSourcing First Session BOP Top 10 Outstanding Outsourcing Enterprises"**
  Dalian Xinhua, a subsidiary of the Group focusing on BOP business, was awarded the "ChinaSourcing First Session BOP Top 10 Outstanding Outsourcing Enterprises" at the 2008 ChinaSourcing Summit, where the "Award Presentation of ChinaSourcing First Session Outstanding Outsourcing Enterprises" was held during the "ChinaSourcing China Software and Information Services Outsourcing Summit".

- **Chinasoft International was awarded "IBM Top Industry Solution Provider 2007" by IBM.**

- **The Group was awarded "IT Innovative Enterprise Prize" consecutively at the 2008 China IT Fortune Annual Conference and China Information Supervisor Annual Conference**

Future Prospect

The overall objectives of the Group are to spend three to five years to turn the new Chinasoft International that we jointly belong to and making best efforts into a China-based Chinese software service enterprise which serves the globe and of the greatest power, attraction and investment value, and to create a international brand of "Intelli-ed in China" together with local and overseas business partners through the market and human resources in the Greater China Region as the competitive advantages.

2009 is a decisive period for the development of the software industry in China. Being affected by the global condition, the software industry in China suffers from the economic crisis and some software enterprises have a pessimistic future for survival. However, challenges always come along with opportunities, 2009 is also a wonderful time to reduce hidden danger of low-end vicious competition, to promote business upgrading and restructuring, to expand high-end service market, and to further engage in diversifed operations. Moreover, the government stimulates the economic development by financing 4 trillions to promote local demands and strengthen the inputs from resident-related industries, which surely gives fresh blood to the downstream industry chain. Providing international resident-related industries with information solutions and promoting the efficiency of social functions are the paths for the development of software and information industry. In addition, to reduce cost, major international enterprises are willing to have their low-end software outsourcing tasks done in China, which increases the total amount in the area. Also, software industry in China is still at its early stage of development and there is huge room for upgrade and so greater benefits comparing with major software countries in the world.

In 2009, the Group will proceed with the development concepts of the corporate to "create, share and grow together", coordinate the interests of customers, shareholders and staff, create a healthy corporate culture and ecological environment, pay attention to the mutual relationship with external business environment, perform its obligations at three levels (society, industry and corporate), take responsibilities and grow and create an integrated platform of "Intelli-ed in China" with the software industry in China together under the guidance of various policies carried out by the State to foster the economic development.

In 2009, the Group will further solidify its position in those industries where it has competitive advantage and set up general strategic alliance within the industries to ensure its competitive advantage in those industries and maintain sustainable development of business.

For 2009, the Group will make use of the dual culture, medium end and high end human resources of Singapore and Hong Kong to create consolidated competitive advantage by combining them with the medium end and low end human resource in China under ETC protection; based on the unique advantage in sectors that we possess competitive advantage in China, with the protection of human resources integration, we will focus on exploring certain European and American strategic clients, pave the concrete development path of developing European and American business on large scale, create the strategy of biological environment complete development.

By sharing the industry opportunity of China's fast growing software industry, in 2009, the Group will enrich the meaning of Chinasoft International being "Top Platform of Intelli-ed in China" with the business development strategy of "innovative, interactive, integrative" and will further advance towards the strategy of becoming a total and global IT services provider.

DIRECTORS' SERVICE CONTRACTS

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

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

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

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

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

Dr. Tang Zhenming, Mr. Wang Hui, Mr. Su Zhenming, Mr. Timothy Chen Yung Cheng, Mr. Fang Jun and Mr. Liu Zheng, have not entered into service agreements with the Group. The monthly remuneration for Mr. Su Zhenming is HK$10,000. Dr. Tang Zhenming, Mr. Wang Hui, Mr. Timothy Chen Yung Cheng, Dr. Zhang Zaqin, Mr. Fang Jun and Mr. Liu Zheng receive no remuneration for holding their office as non-executive Director.

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

Dr. Leung Wing Yin Patrick and Mr. Xu Zeshan have not entered into any service agreements as independent non-executive Directors with the Group. The monthly remuneration for Dr. Leung Wing Yin Patrick is HK$10,000. Mr. Xu Zeshan receives no remuneration for holding his office as an independent non-executive Director.

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

Details of the Directors' remuneration are set out in the Annual Report to the financial statements. Save as disclosed in note 9 of the Annual Report to the financial statements, there are no other emoluments, pension and any compensation arrangements for the Directors and past Directors as is specified in Section 161 and 161A of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2008, the following Directors had interests in the shares and underlying shares of the Company and shares in an associated corporation (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) of the Company as set out below and recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by directors of listed issuers.

Long positions in 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 share capital of the Company as at 31 December 2008
Chen Yuhong	66,187,608	6.57%
Cui Hui	20,000,000	1.99%
Wang Hui	9,517,838	0.94%
Tang Zhenming	11,747,765	1.17%

Options to subscribe for Shares

Name of Director	Exercise Price *(HK$)*	No. of share options outstanding as at 31 December 2008	Percentage of total issued share capital of the Company as at 31 December 2008	No. of underlying Shares interested in	*Note*
Chen Yuhong (Note1)	0.97	1,200,000	0.12%	10,000,000	(4)
	1.78	3,800,000	0.38%		(5)
	1.37	5,000,000	0.50%		(6)
Cui Hui	0.65	500,000	0.05%	500,000	(2)
Duncan Chiu	0.65	1,000,000	0.10%	11,000,000	(2)
	1.37	10,000,000	0.99%		(6)

Name of Director	Exercise Price *(HK$)*	No. of share options outstanding as at 31 December 2008	Percentage of total issued share capital of the Company as at 31 December 2008	No. of underlying Shares interested in	*Note*
Tang Zhenming	0.58	80,000	0.01%	6,180,000	(2)
	0.65	1,300,000	0.13%		(3)
	0.97	800,000	0.08%		(4)
	1.78	2,000,000	0.20%		(5)
	1.37	2,000,000	0.20%		(6)
Wang Hui	0.58	250,000	0.02%	7,600,000	(2)
	0.65	1,750,000	0.17%		(3)
	0.97	1,000,000	0.10%		(4)
	1.78	2,000,000	0.20%		(5)
	1.37	2,600,000	0.26%		(6)
Zeng Zhijie	1.78	750,000	0.07%	750,000	(5)

Notes:

(1) An aggregate of 300,000 shares options were exercised by Dr. Chen Yuhong at the exercise price of HK$0.58 each and an aggregate of 1,250,000 share options were exercised by Dr. Chen Yuhong at the exercise price of HK$0.65 each. Hence, following the exercise of these share options and the grant of new share options, the number of share options outstanding reduced to 10,000,000 as at 31 December 2008.

(2) 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 10 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

(3) 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 of 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

(4) 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

(5) 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

(6) 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 and so far as was known to the Directors, as at 31 December 2008 none of the Directors or chief executive of the Company had any interests or short positions in the shares, debentures or underlying shares of the Company or its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the required standard of dealings by directors of listed issuers as referred to the Model Code for Securities Transactions, to be notified to the Company and the Stock Exchange.

As at 31 December 2008, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2008 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by, or leased to the Company or any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

As at 31 December 2008, none of the Directors were materially interested in any subsisting contract or arrangement which was significant in relation to the business of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

During the year ended 31 December 2008, save as disclosed above, none of the Directors was granted any options to subscribe for shares of the Company. As at 31 December 2008, none of the Directors had any rights to acquire shares in the Company save as disclosed above.

REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS

During the year ended 31 December 2008, the Company had adopted a code of conduct for directors' securities transactions on terms no less exacting than the required standard of dealings set out in the Model Code for Securities Transactions. Having made specific enquiry with all the Directors, the Directors had complied with the required standard of dealings and the code of conduct for directors' securities transactions during the year ended 31 December 2008.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in Shares

Name	Nature of interest	Approximate number of Shares *(million)*	Approximate percentage of total issued share capital of the Company
China National Computer Software & Information Technology Service Corporation (Hong Kong) Limited ("CS&S (HK)") *(Note 1)*	Beneficial interest	199.01	19.76%
Chinasoft National Software and Service Company Limited ("CNSS") (Note 1)	Interest of controlled corporation	199.01	19.76%
Chinasoft International (Hong Kong) Limited ("Chinasoft (HK)") *(Note 2)*	Interest of persons acting in concert	199.01	19.76%
Far East Holdings International Limited ("Far East Holdings") *(Note 3)*	Beneficial interest	134.27	13.33%
Greater Pacific Capital Partners, LP ("GPC") *(Note 4)*	Beneficial interest	119.27	11.84%
International Finance Corporation ("IFC") *(Note 5)*	Beneficial interest	97.25	9.65%
Microsoft Corporation ("Microsoft") *(Note 5)*	Beneficial interest	97.25	9.65%

Notes:

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

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

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

4. Greater Pacific Capital Partners, LP was interested in 119,268,639 Shares.

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

Save as disclosed above, as at 31 December, 2008, no other interest or short position in the Shares or underlying shares of the Company were recorded in the register required to be kept under section 336 of the SFO.

COMPETING INTERESTS

As at 31 December 2008, Dr. Cui Hui, an non-executive Director, was interested in approximately 1.15% of the issued share capital of CNSS. Dr. Cui Hui also served as a director of CNSS. In addition, Mr. Su Zhenming (an non-executive Director) and Dr. Chen Yuhong (an executive Director) had been appointed as directors of CNSS since September 2006 and April 2004 respectively. Although the Directors are of the view that the principal activities of CNSS do not directly compete with those of the Group currently, the Group and CNSS however are both engaged in the provision of information technology outsourcing.

Save as disclosed above, as at 31 December 2008, none of the Directors or the management shareholders of the Company and their respective associates (as defined under the Listing Rules) had any interest in a business which competed or might compete with the business of the Group.

THE AUDIT COMMITTEE

The Company established an audit committee on 2 June 2003 and amended its written terms of reference to comply with the requirements in the Code on Corporate Governance Practices of the Listing Rules. The primary duties of the audit committee are to review and to supervise the financial reporting process and internal control system of the Group. During the year ended 31 December 2008, the audit committee comprised of four independent non-executive Directors, Mr. He Ning, Mr. Xu Zeshan, Mr. Zeng Zhijie and Dr. Leung Wing Yin Patrick. Dr. Leung Wing Yin Patrick is the Chairman of the audit committee. The audit committee met on a quarterly basis during the year ended 31 December 2008.

The Group's unaudited quarterly and interim results and audited annual results during the year ended 31 December 2008 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

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

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

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. The code provisions in the Code on Corporate Governance Practices of the Listing Rules (the "Code") have served as guideposts for the Company to follow in its implementation of corporate governance measures. The Company complied with all the code provisions in the Code during the year under review, particularly with respect to the management of the board of directors, financial reporting, communication with shareholders and the procedures for conduct of shareholders' meetings.

FINAL DIVIDEND AND CLOSURE OR REGISTER OF MEMBERS

The Board do not recommend the payment of a final dividend for the year ended 31 December 2008. (2007: HKD0.005 dividend and per share).

The register of members of the Company will be closed from 16 June 2009 to 18 June 2009, both days inclusive, during which period no transfer of shares will be effected.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company is proposed to hold on 18 June 2009. Notice of the Annual General Meeting will be published and despatched to the shareholders in due course.

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

Hong Kong, 29 April 2009

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

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

Non-executive Directors:
Dr. CUI Hui *(Chairman)*
Mr. Duncan CHIU
Mr. LIU Zheng
Dr. ZHANG Yaqin
Mr. FANG Jun

Independent Non-executive Directors:
Mr. XU Zeshan
Mr. ZENG Zhijie
Dr. LEUNG Wing Yin

* *For identification purposes only*