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CHINASOFT INTERNATIONAL LIMITED

中 軟 國 際 有 限 公 司 *

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8216)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2005

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

HIGHLIGHTS

- Achieved the turnover of approximately RMB89,075,000 (2004: RMB58,816,000) for the three months ended 31 March, 2005, representing an increase of approximately 51.4% as compared to the corresponding period in 2004
- Accomplished a net profit attributable to Shareholders of approximately RMB8,045,000 (2004: RMB5,458,000) for the three months ended 31 March, 2005, representing an increase of approximately 47.4% as compared to the corresponding period in 2004
- Basic earnings per share and diluted earnings per share of the Company were approximately RMB0.012 (2004: RMB0.009) and RMB0.011 (2004: RMB0.008) respectively for the three months ended 31 March, 2005
- The Directors do not recommend the payment of an interim dividend for the three months ended 31 March, 2005

FIRST QUARTER RESULTS

The board of Directors (the “Directors”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March, 2005, together with the comparative unaudited results of the Company for the corresponding period in 2004, as follows:

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

| | | For the three months ended 31 March, | |
|--|--------------|---|---------------------|
| | <i>Notes</i> | 2005 | 2004 |
| | | RMB'000 | RMB'000 |
| Turnover | 2 | 89,075 | 58,816 |
| Cost of Sales | | (67,378) | <u>(45,221)</u> |
| Gross Profit | | 21,697 | 13,595 |
| Other operating income | | – | 24 |
| Distribution costs | | (3,332) | (2,782) |
| Administrative expenses | | (9,365) | (3,631) |
| Amortisation of Development costs & Technical Knowhow | | (638) | <u>(40)</u> |
| Profit from operations | | 8,362 | 7,166 |
| Finance costs | | 117 | (36) |
| Share of result of an Associate | | 365 | <u>–</u> |
| Profit before taxation | | 8,844 | 7,130 |
| Taxation | 3 | (799) | <u>(536)</u> |
| Net profit before minority interests | | 8,045 | 6,594 |
| Minority interests | | – | <u>(1,136)</u> |
| Net Profit attributable to shareholders | | <u>8,045</u> | <u>5,458</u> |
| Dividend | 5 | – | – |
| Earnings per share | | | |
| – basic | 4 | <u>0.012</u> | <u>0.009</u> |
| – diluted | 4 | <u>0.011</u> | <u>0.008</u> |

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital | Share premium | Translation reserve | General reserve | Enterprise expansion fund | Accumulated profits | Total |
|---------------------------|------------------|------------------|------------------------|--------------------|---------------------------------|------------------------|----------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1st January, 2004 | 33,920 | 45,080 | 49 | 1,074 | 589 | 45,399 | 126,111 |
| Net profit for the period | — | — | — | — | — | 5,458 | 5,458 |
| At 31st March, 2004 | <u>33,920</u> | <u>45,080</u> | <u>49</u> | <u>1,074</u> | <u>589</u> | <u>50,857</u> | <u>131,569</u> |
| At 1st January, 2005 | 36,968 | 85,185 | 90 | 1,250 | 589 | 75,313 | 199,395 |
| Net profit for the period | — | — | — | — | — | 8,045 | 8,045 |
| At 31st March, 2005 | <u>36,968</u> | <u>85,185</u> | <u>90</u> | <u>1,250</u> | <u>589</u> | <u>83,358</u> | <u>207,440</u> |

Notes:

1. BASIS OF PRESENTATION

The financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”). They have been prepared under the historical cost convention.

2. TURNOVER

Turnover, which is stated net of valued-added tax and other sales tax and returns, represents amounts invoiced to customers, except in respect of provision of solutions services and IT outsourcing services where turnover represents the value of work done during the year, including amounts not yet invoiced.

| | For the three months ended 31 March, | | | |
|-------------------------------------|---|-------------|---------------|-------------|
| | 2005 | | 2004 | |
| | RMB'000 | | RMB'000 | |
| Solutions | 73,760 | 82.81% | 48,152 | 81.87% |
| IT outsourcing | 14,298 | 16.05% | 10,664 | 18.13% |
| IT consulting and training services | 521 | 0.58% | — | — |
| Standalone software product | 496 | 0.56% | — | — |
| | <u>89,075</u> | <u>100%</u> | <u>58,816</u> | <u>100%</u> |

3. TAXATION

Pursuant to an approval document issued by the State Tax Bureau of Beijing Haidian District dated 21st November, 2000, Beijing Chinasoft International Information Technology Limited (“Beijing Chinasoft”), a wholly-owned operating subsidiary of the Group, has been designated as an advanced technology enterprise and is entitled to three years of exemption from income tax followed by three years of 50% tax reduction commencing from the first-profit-making year with effect from 2000.

Beijing Chinasoft is subject to the income tax computed at the rate of 7.5% for the three years ending 31 December, 2005 and at the rate of 15% on its taxable profit thereafter.

No provision for Hong Kong Profits Tax has been made for the relevant periods as the Group did not have any assessable profit arising in Hong Kong during the relevant periods.

There were no significant unprovided deferred taxation during the relevant periods and as at the respective balance sheet dates.

4. EARNINGS PER SHARE

The calculation of the basic earnings per share for the three months ended 31 March, 2005 was based on the net profit attributable to shareholders of the Company (the “Shareholders”) of approximately RMB8,045,000 during the three months ended 31 March, 2005 (2004: RMB5,458,000) divided by the weighted average number of ordinary shares then issued of 697,500,000 shares (2004: 640,000,000 shares) during the three months ended 31 March, 2005.

The calculation of diluted earnings per share for the three months ended 31 March, 2005 was based on the net profit of RMB8,045,000 for the three months ended 31 March, 2005 (2004: RMB5,458,000) divided by the weighted average number of shares used in calculation of diluted earnings per share for the three months ended 31st March, 2005 of 761,240,000 (2004: 642,808,608).

5. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March, 2005 (2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the three months ended 31 March, 2005, the Company reported an unaudited turnover of approximately RMB89,075,000 (2004: RMB58,816,000), representing an increase of approximately 51.4% as compared with the corresponding period last year. For the three months ended 31 March, 2005, the Company recorded an unaudited net profit attributable to Shareholders of RMB8,045,000 (2004: RMB5,458,000), representing an increase of 47.4% as compared with the corresponding period last year. The gross profit margin was approximately 24% (2004: 23%). Basic earning per share is approximately RMB0.012 (2004: RMB0.009). Diluted earnings per share is approximately RMB0.011 (2004: RMB0.008).

Both remarkable increase in turnover and gross profit were attributable to the provision of e-Solution for “e-Tobacco” and “e-Audit”. During the reporting period, the Group has promoted nationally the Second Phase Projects of the “Tobacco Production and Operational Decision Management System for the State Tobacco Control Bureau” as well as entered into several contracts with the State Audit Office on developing the “e-Quality” Project, which provided the Group with a good source of profit.

The gross profit margin and the net profit margin of the Group for the three months ended 31 March, 2005 was approximately 24% and 9% respectively (Year 2004: approximately 23% and 9% respectively).

As for the ratio of distribution costs to turnover was 3.7%, representing a decrease of 1% as compared to 4.7% of the corresponding period last year. The percentage of administrative expenses to turnover was 10.5% representing an increase of 4.3% as compared to 6.2% of the corresponding period last year. With an expansion of the size of the Group's operations, the increase in administrative expenses due to the increase in technical support staffs and the set up costs for new offices plus increase in depreciation are reasonable.

BUSINESS REVIEW

2005 first quarterly business review:

- Completed all contract-signing of the Second Phase Projects for “Tobacco Production and Operational Decision Management System for the State Tobacco Control Bureau”
- Entered into several contracts with the State Audit Office, achieved new progress in the “e-Audit” project
- Passed the expert debate on the feasibility study of “e-Quality” Project Phase I
- The Expert team invited by the Group won the tenders for the Company one by one, demonstrating the effectiveness of the “invitation of external expert” policy

Completed all contract-signing of the Second Phase Projects for “Tobacco Production and Operational Decision Management System for the State Tobacco Control Bureau”

During the reporting period, the Group has entered into business contracts with seven commercial enterprises of the tobacco industry, as such the Group has completed all contract-signing of the Second Phase Projects for “Tobacco Production and Operational Decision Management System for the State Tobacco Control Bureau”.

During the reporting period, the State Tobacco Control Bureau convened a meeting and highly appraised the implementation of the Second Phase Projects of the “Tobacco Production and Operational Decision Management System for the State Tobacco Control Bureau” by the Group. At the same time, the State Tobacco Control Bureau adopted the solutions provided by the Group:

1. To introduce and integrate the project into the internal administration of enterprises
2. To establish a new industrial and commercial relationship, to realize information sharing and to provide a powerful system support to the “Purchase Order Fulfillment” for the tobacco industry

3. To strengthen supervision of the industry, and to implement “imprint administration” by modern information-based process.

It can be observed from the above that although the implementation of the Second Phase Projects of the “Tobacco Production and Operational Decision Management System for the State Tobacco Control Bureau” has not yet completed, its application to the tobacco industry has proven to be important.

Meanwhile, other sub-systems including franchise management system, transaction system and statistics system should be gradually linked up with the main system of the “Tobacco Production and Operational Decision Management System for the State Tobacco Control Bureau”. The Group planned to complete the implementation of the Second Phase Projects of the “Tobacco Production and Operational Decision Management System for the State Tobacco Control Bureau” during the year, which will contribute towards a better revenue of the Group for the year.

Entered into several contracts with the State Audit Office; new progress for the “e-Audit” Project

1. Entered into contract with the State Audit Office on the software development contract for the Government Budgeting Division Auditing Via Network

During the report period, the Group and the State Audit Office entered into contract on the software development contract for the Government Budgeting Division Auditing Via Network. This is an essential step made for the transition of the “e-Audit” Project from “stand-alone” version to “network” version.

The development target of this Project is to carry out the modifications of “Budget Tracing and Network Verification” audit mode, the changes of current audit methods and the collection of data bank from audited units at designated times. This Project can actively serve as an alarm system for suspicious data, generate alarm reports, and at the same time be automatically converted into intermediate audit report. This report will be given to the auditing staff who use the On-site Audit Implementation System (shortened as the AO system) to carry out audit.

Such development project can be divided into 4 parts: Data Collection and Conversion, Audit Alarm System, Basic Management and Initialization of Front Server and On-site Audit.

2. Entered into contract with the State Audit Office on “1 platform for N users mode” Audit Management System

In order to provide a common audit management system for the utilization of “City-level” and “County-level” local audit offices and cut-down the establishment cost of audit management system for “City-level” and “County-level” local audit offices, modifications of the original audit management system are made so as to make it applicable to the System-sharing of “City-level” and “County-level” auditing divisions (shortened as the “1 platform for N users mode”. The modifications of the First Phase of the “e-Audit” Project audit management system based on the “1 platform for N users mode” will adopt the principles of “Centralized Management and Dispersed Application”. This is based on the State’s e-Government Network Platform and realizes single hardware platform (“City-level”) for multi-applications (“County-level”), meanwhile, secure the logical independent usage on “City-level” and “County-level” application and the unity of physical arrangements.

3. *Entered into contract with the State Audit Office on software development of the OA Exchange Area*

Based on the State's e-Government Network Platform, the construction of LAN links up "State Office to County level" audit offices, realizes systematic data exchange network, establishes a fast communicating and data exchanging National Audit Office and Work System and achieves the target of a resources sharing Audit Information-based Network System.

The Group will utilize its established audit management system platform from the "e-Audit" Project, base on the middleware of Data Transmission Channel and realize the data transmission and exchange of covering official documents, plans, personnel files, audited units and unit data bank, the audit expert system, auditing method library, statistical indicator module and report.

4. *Entered into contract with the State Audit Office on the AO Exchange Area*

The development of the AO Exchange Area Software will attain the following targets:

- 1) To allow the City Statistics Department personnel to obtain information about the government affairs (notices and announcements) from the AO Exchange Area of the audit division during On-site Audit Visits, as well as to make their feedback about the Project.
- 2) The information in the AO Exchange Area is gathered from the OA audit management system of the Audit Intranet. Due to the physical partition between the Audit Intranet and AO Exchange Area, the software will process under the physical partition environment and achieve data exchange between the audit management system of Audit Intranet and the software of the AO Exchange Area.
- 3) To assist auditors of On-site Audit to report all kinds of on-site information which is investigated during audit project process to the Audit Offices.
- 4) To feedback information from On-site Audit through the temporary storage area and exchange data with the Audit Intranet of the Audit Management System (OA).

5. *Entered into contract with the State Audit Office on developing the On-site Audit Implementation System 2005 Version*

To maximize the usage of the On-site Audit Implementation System in actual audit implementation process, based on the feedbacks collected from the original "On-site Audit Implementation System". The "On-site Audit Implementation System 2005 Version" has improved its user-friendly feature, enhances its software system and increases its data processing function which reaching the level of 300,000 data entries in a single report.

As shown from the above, the Group has made significant break-throughs in the "e-Audit" Project. Following the promotion of "On-site Audit Implementation System" and the "On-site Audit Management System" of the State Audit Office in the last reporting period, not only the promotion of the two systems will be continued in the year 2005, but will be new systems development which will lead to the launching of a new promotion campaign. It is expected that, in 2005, the "e-Audit" Project will generate much higher growth in revenue as compared to the corresponding period in the previous year.

Feasibility study of the First Phase of “e-Quality” Project passed the expert debate

The Group was entrusted by the PRC State General Administration for Quality Supervision, Inspection and Quarantine to prepare the feasibility study of the Phase I of the “e-Quality” Project.

Studying the project contents of the “e-Quality” Project, it has covered the Administration’s project contents for digitalization related to business development for the coming 5 years. The overall project framework of “e-Quality” Project is as follows:

1. Construction of Network System

The construction of the Inspection & Quarantine Network of the Quality Supervision and Inspection is divided into 4 classes: Central Class (the State General Administration for Quality Supervision, Inspection and Quarantine), First Class (35 Subordinate Inspection and Quarantine Bureaus), Province Class and City (specifically designated in the State plan) Class (36 Subordinate Quality Supervision and Inspection Centers).

For a province which has both the Subordinate Inspection and Quarantine Bureau and Province (City specifically designated in the State plan) Class Subordinate Quality Supervision and Inspection Center located in the same city, through City e-Government network, the Province (City specifically designated in the State plan) Class Subordinate Quality Supervision and Inspection Center will be linked up to the Subordinate Inspection and Quarantine Bureau and the Subordinate Inspection and Quarantine Bureau will be linked up to the State General Administration for Quality Supervision, Inspection and Quarantine.

2. Construction of Application System

The construction of the Application System of the “e-Quality” Project is based on Data Centre of the State General Administration for Quality Supervision, Inspection and Quarantine and the Public Access Platform. Upon the completion of the “Three Systems” mentioned above and on such basis, the collection and accumulation of business data will lead to the establishment of “Data Bank Group”. At the same time, through data mining and other technologies, the intensive development and utilization of data resources becomes a great support for decision-making.

The Application System of the “e-Quality” Project covers various business scopes including inspection, quarantine, quality control, quality management, certification, accreditation, standardization and estimation. The “e-Quality” Project covers around 16 application scopes.

The “e-Quality” users include nearly 4000 internal offices from the Quality and Investigation bodies, the general public and private sectors.

The construction period of the First Phase of the “e-Quality” Project is two years and its main missions are:

1. Full utilization of the State’s e-Government Extranet and consolidation of the building of quality and inspection specialized network platform will form a WAN linking up the State General Administration for Quality Supervision, Inspection and Quarantine (including the Certification and Accreditation Supervisory and Administration Commission and the People’s Republic of China and Standardization Administration Commission), the Subordinate Inspection and Quarantine Bureaus, Province (City specifically designated in the State plan) Class Subordinate Quality Supervision and Inspection Centers, Branch office of Inspection and Quarantine Bureau of each check-point and Bureau of Quality and Technical Supervision of each check-point area so as to perfect nodal LAN.
2. The construction of State Standardization Information Data Bank coverage of the State Administration and Province level and Prefecture (City) level Departments’ Company Qualitative Credit Information Data Banks and other basic quality inspection data banks.
3. The construction of quality inspection control systems covers the information of National speedy actions in cracking down on counterfeit goods, Safety Supervision on Special Facilities, Estimated Business Inspection Supervision, Product Quality Inspection Supervision, Import Cargo Inspection and Quarantine Electronic Supervision and State Compulsory Product Certification Supervision. The construction of Quality Inspection Declaration, Examination and Approval System covers import cargo filing records for examine and approval and other information. The construction of Quality Inspection Information Service System covers state announcement, appraisal, consultation, risk alarm, quick reaction and other information related to the Agreement on the Application of Sanitary and Phytosanitary Measures (WTO/TBT-SPS).
4. The construction of protection, evaluation and appraisal, supervision and audit, management and other security systems lead to the establishment of related standards, factory sites reformation and labor training etc.

Such report has passed the expert debate. Meanwhile, the Group has started to bid for several software and hardware environmental construction projects for the “e-Quality” Project. With the progressive development of “e-Quality” Project, the Group hopes that the Project will bring extra revenue to the Group.

The expert team invited by the Group helps the Company to win tenders one by one, demonstrating the effectiveness of this “invitation of external expert” policy.

1. The Group won the tender of Hunian Province Tobacco Control Bureau

With the support of the tobacco technology expert team of Beijing Jinye Software Technology Development Company Limited (invited by the Group in 2004), the Group provided consultation service for Hunan Province Tobacco Control Bureau and won its integrated application service and software platform procurement project.

The contract sets out that the Group should establish, provide consultation and develop and provide training for users for the software and hardware basic environment construction for Hunan Province Tobacco Franchise Bureau.

Main consultation and development details are:

- Integrated Overall Solution for Hunan Province Tobacco Industry System
- Integrated Standards and Norms for Hunan Province Tobacco Industry System
- Construction of the environment for the Integrated Application Software

Meanwhile, the Group's core competitiveness – Chinasoft e-Government middleware – Resource One is also included in the procurement of this contract.

2. *The Group undertook the comprehensive analysis of the statistics and commercial operation systems of Yunnan Yuxi Hongta Tobacco (Group) Limited*

During the reporting period, the Group won the contract of the Yunnan Yuxi Hongta Tobacco (Group) Limited through the strength of their existing technologies and the concerted efforts of the tobacco technology expert team of 昆明方元利科技有限責任公司 (Kunming Fangyuanli Technology Company Limited) so invited.

The Group will provide clients the following major developments:

(1) The construction of a comprehensive statistics management sub-system

Upon confirmation of the demand, to erase the indicator codes, to establish a statistics reporting system, to process and collect historical data, to set up criteria for statistics data collection, and to establish a collection method of active data.

(2) The construction of a commercial operation sub-system

Including: the production of the current business report and comprehensive analysis report; the 100th market control, tobacco production cost control, key market control, exhibition and analysis of data which requires attention, and the development of a business conditions map.

- Carry out internal information analysis
- Carry out external information analysis

3. *Successful won the tender of the Central Data Bank System of 雲南中煙工業公司 (Yunnan Zhongyan Company Limited) by the Group*

During the reporting period, the Group won the tender of the Central Data Bank System of 雲南中煙工業公司 (Yunnan Zhongyan Company Limited) again by virtue of the tobacco technology expert team of 昆明方元利科技有限責任公司 (Kunming Fangyuanli Technology Company Limited) so invited. This system is to achieve data integration, and to establish the information web-based Data Bank of 雲南中煙工業公司 (Yunnan Zhongyan Company Limited) and the application system of the Central Data Bank.

The Group utilized the middleware, Resource One, developed by itself to build:

- (1) The Central Data Bank
- (2) The Data Application System of the Central Data Bank
- (3) The New Business System

PROSPECTS

The Group maintains its fast-growing pace in 2004. During the reporting period, the Group continues to record satisfactory turnover and draws up perfect plan for future development.

1. In the second quarter, the Group will fully complete the promotion and implementation in the Second Phase of the construction of “Production and Operational Decision Management System Project for Tobacco Industry for State Tobacco Control Bureau”, actively promote the related jobs in the investment of “China Tobacco Resources e-Commerce Company for State Tobacco Control Bureau” and prepare for the full open-up, access protection and intensive application of “Manufacturing, Marketing and Decision Management System”.
2. While continued to complete the promotion of the Second Phase Project of the “Production and Operation Decision Making Management System Project for Tobacco Industry for State Tobacco Control Bureau”, the Group will combine the special demands of every tobacco enterprise and provide customized development. At the same time, the Group accumulates development modules and raises the multiplex of software.
3. Full open-up of the national promotion of the First Phase Project of the “e-Audit”.
4. Full national scale promotion of the “Chinasoft Audit” AE software.
5. Strong development of IT outsourcing business and make this business as one of the main source of profits for the Group.

DIRECTORS' INTERESTS IN SHARES

As at 31 March, 2005, the following Directors had interests in the underlying shares of the Company set out below as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”), or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in rule 5.46 of the GEM Listing Rules:

Options to subscribe for shares of the Company

| Name of Directors | Exercise Price (HK\$) | No. of share options outstanding as at 31 March, 2005 | Percentage of total issued share capital of the Company | Note |
|-------------------|--------------------------|---|--|------|
| Chen Yuhong | 0.58 | 1,200,000 | 0.17% | (1) |
| | 0.65 | 5,000,000 | 0.72% | (2) |
| Cui Hui | 0.65 | 500,000 | 0.07% | (2) |
| Duncan Chiu | 0.65 | 1,000,000 | 0.14% | (2) |
| Peng Jiang | 0.58 | 800,000 | 0.11% | (1) |
| | 0.65 | 3,000,000 | 0.43% | (2) |

Notes:

- (1) 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 were accepted on 27 August, 2003. The share options are exercisable for a period of ten years from the date of offer, subject to the following conditions:

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

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

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

Save as disclosed above and so far as was known to the Directors, as at 31 March, 2005 none of the Directors or chief executive of the Company had any interests or short positions in the shares, debentures or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which are required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

As at 31 March, 2005, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December, 2004 (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 March, 2005, none of the Directors were materially interested in any subsisting contract or arrangement and which is significant in relation to the business of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

During the three months ended 31 March, 2005, none of the Directors was granted options to subscribe for shares of the Company. As at 31 March, 2005, none of the Directors had any rights to acquire shares in the Company save as disclosed above.

SHARE OPTION SCHEME

As at 31 March, 2005, share options to subscribe for an aggregate of 63,740,000 shares of HK\$0.05 each in the capital of the Company ("Shares") were granted to certain directors and employees of the Group pursuant to the Share Option Scheme with terms on the exercise of the share options granted as set out in Notes (1) and (2) in the section headed "Directors' Interests in Shares" above.

Save as disclosed above, no option has been granted, exercised and lapsed pursuant to such Share Option Scheme as at 31 March, 2005.

REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS

During the three months ended 31 March, 2005, the Company had adopted a code of conduct for directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all the Directors, the Directors had complied with the required standard of dealings and the code of conduct for directors' securities transactions during the three months ended 31 March, 2005.

SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors, as at 31 March, 2005, the interest of the persons (not being a Director or chief executive of the Company) in the shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in Shares

| Name | Nature of interest | Approximate number of Shares (million) | Approximate percentage of shareholding |
|--|------------------------------------|---|--|
| Far East Technology International Limited ("Far East") (Note 1) | Beneficial interest | 176.89 | 25.36% |
| Castle Logistics Limited ("Castle Logistics") (Note 2) | Beneficial interest | 127.60 | 18.29% |
| Authorative Industries Limited ("Authorative") (Note 3) | Beneficial interest | 57.49 | 8.24% |
| Yue Qianming (Note 3) | Interest of controlled corporation | 57.49 | 8.24% |
| ITG Venture Capital Limited ("ITG") (Note 4) | Beneficial interest | 46.94 | 6.73% |
| Zhou Qi (Note 4) | Interest of controlled corporation | 46.94 | 6.73% |

| Name | Nature of interest | Approximate number of Shares (million) | Approximate percentage of shareholding |
|--|------------------------------------|---|--|
| Prosperity International Investment Corporation (“Prosperity”) (Note 5) | Beneficial interest | 39.79 | 5.70% |
| Joseph Tian Li (Note 5) | Interest of controlled corporation | 39.79 | 5.70% |
| China National Computer Software & Technology Service Corporation (Hong Kong) Limited (“CS & S (HK)”) (Note 6) | Beneficial interest | 57.50 | 8.24% |
| China National Computer Software & Technology Service Corporation (“CS & S”) (Note 6) | Interest of controlled corporation | 57.50 | 8.24% |
| Chinasoft National Software and Service Company Limited (“CNSS”) (Note 7) | Interest of controlled corporation | 57.50 | 8.24% |

Notes:

1. Mr. Duncan Chiu and Mr. David Chiu, an executive Director and a non-executive Director of the Company respectively, are nominated by Far East. Both Mr. Duncan Chiu and Mr. David Chiu are directors of Far East.
2. Castle Logistics is beneficially owned by 10 shareholders of which 3 shareholders are Directors and 7 shareholders are senior management staff of the Group. The above mentioned Directors are Dr. Chen Yuhong, Mr. Cui Hui and Mr. Peng Jiang and the other shareholders namely Mr. Xie Hua, Mr. Chen Yuqing, Dr. Tang Zhenming, Mr. Zhang Chongbin, Mr. Wang Hui, Mr. Chen Pei and Mr. Yu Yongxin are senior management of the Group. These 10 individuals became shareholders of Castle Logistics on 25 April, 2000.

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

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

| Name | Percentage of the entire issued share capital of Castle Logistics held |
|--------------------|---|
| Mr. Cui Hui | 18% |
| Dr. Chen Yuhong | 18% |
| Mr. Xie Hua | 18% |
| Mr. Chen Yuqing | 8% |
| Dr. Tang Zhenming | 8% |
| Mr. Zhang Chongbin | 8% |
| Mr. Peng Jiang | 5.5% |
| Mr. Wang Hui | 5.5% |
| Mr. Chen Pei | 5.5% |
| Mr. Yu Yongxin | 5.5% |
| Total: | 100% |

3. The entire issued share capital of Authorative is beneficially owned by Mr. Yue Qianming. Mr. Yue Qianming is taken to be interested in the Shares held by Authorative.
4. The entire issued share capital of ITG is beneficially owned by Mr. Zhou Qi. Mr. Zhou Qi is taken to be interested in the Shares held by ITG.
5. The entire issued share capital of Prosperity is beneficially owned by Mr. Joseph Tian Li. Mr. Joseph Tian Li is taken to be interested in the Shares held by Prosperity.
6. CS & S is taken to be interested in the Shares which CS & S (HK), its subsidiary in which it holds approximately 99.3% of the total voting rights, is interested in.
7. CNSS is taken to be interested in the Shares which CS & S, its subsidiary, is interested in.

Save as disclosed above, as at 31 March, 2005, 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

Mr. Cui Hui, an executive Director, was interested in approximately 1.34% of the issued share capital of CNSS and also served as a director of CNSS. In addition, Ms. Tang Min and Dr. Chen Yuhong had been appointed as director of CNSS since August 2000 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 herein, none of the Directors or the management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

SPONSOR'S INTEREST

As updated and notified by the Company's sponsor, Oriental Patron Asia Limited ("Oriental Patron"), neither Oriental Patron nor its directors, employees or associates had any interests in the share capital of the Company as at 31 March, 2005 pursuant to Rules 6.36 and 18.75 of the GEM Listing Rules.

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

AUDIT COMMITTEE

The Company established an audit committee on 2 June, 2003 with written terms of reference in compliance with the requirements as set out in Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises the two independent non-executive directors, namely Mr. He Ning and Mr. Zeng Zhijie and a non-executive director, Dr. Chen Qiwei.

The audit committee of the Company has reviewed the first quarterly results of the Group for the three months ended 31 March, 2005.

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

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company during the three months ended 31 March, 2005.

On behalf of the Board

Dr. Chen Yuhong

Managing Director

13 May, 2005, Beijing, PRC