
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If **a e i a d b** as to any aspect about this circular or as to the action to be taken, you should consult your stockholder or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If **ha e ld a fe ed** all your shares in **Chi a f I e a i al Limi ed**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the bank, stockholder or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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



中 软 国 际

CHINASOFT INTERNATIONAL LIMITED



*

(Incorporated in the Cayman Islands with limited liability)
(S c k c de: 354)

**PROPOSED ISSUE OF 4.25% CONVERTIBLE NOTES DUE
2013 UNDER SPECIFIC MANDATE
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

Fi a cial Ad i e a d A a ge f he C e ible N e



A notice convening the extraordinary general meeting (the "EGM") of Chinasoft International Limited (the "Company") to be held at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen's Road Central, Hong Kong at 4:00 p.m. on Thursday, 18 November 2010 is contained in this circular. Whether or not you are able to attend such meeting, please complete and return the form of proxy enclosed herewith in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or the principal place of business of the Company in Hong Kong at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen's Road Central, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof (as the case may be) if you so wish.

* For identification purposes only

DEFINITIONS

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

“Authorised Share Capital Increase”	the proposed increase in authorised share capital of the Company from HK\$106,250,000 divided into 1,500,000,000 ordinary shares of HK\$0.05 each and 625,000,000 redeemable convertible preferred shares of HK\$0.05 each divided into 225,000,000 Series A-1 Preferred Shares of HK\$0.05 each, 200,000,000 Series A-2 Preferred Shares of HK\$0.05 each and 200,000,000 Series A-3 Preferred Shares of HK\$0.05 each to HK\$131,250,000 divided into 2,000,000,000 ordinary shares of HK\$0.05 each and 625,000,000 redeemable convertible preferred shares of HK\$0.05 each divided into 225,000,000 Series A-1 Preferred Shares of HK\$0.05 each, 200,000,000 Series A-2 Preferred Shares of HK\$0.05 each and 200,000,000 Series A-3 Preferred Shares of HK\$0.05 each
“Board”	the board of Directors (including executive Directors, non-executive Directors and independent non-executive Directors);
“Business Day”	a day (except Saturday) on which banks in Hong Kong and New York are open for business for more than four hours
“Company”	Chinasoft International Limited, a company incorporated in the Cayman Islands with limited liability and the Ordinary Shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Subscription in accordance with the terms of the Subscription Agreement
“Completion Date”	the date which is the fifth Business Day after the last of the Conditions Precedent of (a) to (d) for the Subscriber to purchase remaining to be satisfied, is satisfied (or waived by the Subscriber the Convertible Notes) (or such other date as may be agreed between the Company and the Subscriber)
“Conditions Precedent”	the conditions to which Completion is subject as set out in the paragraph headed “Conditions Precedent” in this circular
“Convertible Notes”	the 4.25% convertible notes due 2013 in an aggregate principal amount of RMB200 million to be issued by the Company pursuant to the Subscription Agreement

DEFINITIONS

“Conversion Price”	initially be the lower of (i) HK\$2.00 or (ii) 1.2 times the value weighted average of the closing price per Share for the five trading days prior to issuance of the Convertible Notes (subject to adjustment in accordance to the terms and conditions of the Convertible Notes under the Subscription Agreement)
“Conversion Rights”	the rights attached to the Convertible Notes to convert the principal amount (or any part(s) thereof)
“Conversion Share(s)”	new Share(s) to be allotted and issued by the Company to the Subscriber upon exercising the conversion right attaching to the Convertible Notes, the number of which shall be subject to adjustment as a result of adjustment of the Conversion Price
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen’s Road Central, Hong Kong, on Thursday, 18 November 2010 at 4:00 p.m.
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	28 October 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the third anniversary of the date of issue of the Convertible Notes
“Noteholder(s)”	holder(s) of the Convertible Notes
“Parties”	the parties to the Subscription Agreement, being the Company and the Subscriber
“PRC”	the People’s Republic of China which for the purpose of this circular, shall not include Hong Kong, The Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“Series A Preferred Share(s)”	the Series A-1 redeemable convertible preferred share(s) of HK\$0.05 each in the issued share capital of the Company
“Series A Preferred Shareholder(s)”	holder(s) of the Series A Preferred Shares
“Subscriber”	EJF Capital LLC, an investment advisor registered under the Securities and Exchange Commission of the United States of America
“Share(s)” or “Ordinary Share(s)”	the ordinary share(s), HK\$0.05 par value per share, of the Company, quoted for trading on the Stock Exchange;
“Shareholders”	holder(s) of the Ordinary Shares and the Series A Preferred Shares
“Specific Mandate”	the specific mandate to be granted to the Directors by the Shareholders at the EGM to issue new Shares at any time during the period specified in the relevant ordinary resolution
“Subscription”	the subscription of the Convertible Notes subject to and upon the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement entered into between the Company and the Subscriber dated 3 October 2010 and any supplement thereto in respect of the Subscription
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeover Code”	the Code on Takeovers and Mergers
“%”	per cent

For the purpose of illustration only, conversion of RMB into Hong Kong dollars in this circular is based on the exchange rate of RMB0.86349 to HK\$1.00. Such conversion should not be construed as a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate.

LETTER FROM THE BOARD



中 软 国 际

CHINASOFT INTERNATIONAL LIMITED



*

(Incorporated in the Cayman Islands with limited liability)

(S c k c de: 354)

Executive Directors:

Dr. Chen Yuhong (*Managing Director*)

Dr. Tang Zhenming

Mr. Wang Hui

Non-Executive Directors:

Dr. Cui Hui (*Chairman*)

Mr. Duncan Chiu

Mr. Fang Jun

Mr. Liu Zheng

Dr. Zhang Yaqin

Independent Non-Executive Directors:

Mr. Xu Zeshan

Mr. Zeng Zhijie

Dr. Leung Wing Yin

Registered Office:

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

Principal place of business in

Hong Kong:

Unit 4607-8, 46th Floor,
COSCO Tower,
No. 183 Queen's Road Central,
Hong Kong

1 November 2010

To the Shareholders

Dear Sir or Madam,

**PROPOSED ISSUE OF 4.25% CONVERTIBLE NOTES
DUE 2013 UNDER SPECIFIC MANDATE
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

INTRODUCTION

Reference is made to the announcement of the Company dated 5 October 2010 in relation to the Subscription and the Authorised Share Capital Increase.

The purpose of this circular is to provide you with, among other things, further details of (i) the Subscription Agreement, (ii) the detailed terms and conditions of the Convertible Notes; (iii) the Authorised Share Capital Increase; and (iv) a notice of the EGM.

* For identification purposes only

LETTER FROM THE BOARD

The Board announced that on 3 October 2010, the Company and the Subscriber entered into the Subscription Agreement relating to the issue and subscription of the 4.25% Convertible Notes due 2013 in an aggregate principal amount of RMB200 million (equivalent to approximately HK\$231.62 million).

THE SUBSCRIPTION AGREEMENT

Date: 3 October 2010

Issuer: The Company

Subscriber: EJF Capital LLC or an investment vehicle under its management

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquires, the Subscriber and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Conditions Precede

The obligation of the Subscriber to subscribe for the Convertible Notes is subject to the satisfaction, or waiver by the Subscriber (other than with respect to (a), (b), (c) and (d) below), of the following conditions:

- (a) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to such conditions as to the Company and the Subscriber have no reasonable objection) listing of and permission to deal in the Conversion Shares;
- (b) the approval of the board of directors of the Company authorising (i) the execution and completion of the Subscription Agreement in accordance with its terms, (ii) the issue of the Convertible Notes and (iii) the issue of the Conversion Shares if the Subscriber decides to exercise the Conversion Rights;
- (c) the Shareholders having approved (i) the Authorised Share Capital Increase, (ii) the transactions contemplated under the Subscription Agreement, and (iii) the issue of the Convertible Notes and the issue and allotment of the Conversion Shares at the EGM;
- (d) the Series A Preferred Shareholders having consented to the issue of the Convertible Notes and the issue of the Conversion Shares and waived any pre-emption rights in connection therewith;
- (e) the warranties by the Company in the Subscription Agreement are true, correct, accurate and not misleading in all material respects on the date of Subscription Agreement and as of the Completion Date as though such warranties were made at such date (except that any warranties that are made as of a specified date shall be true and correct in all material respects as of such specified date);

LETTER FROM THE BOARD

- (f) the Company shall have performed all of its obligations therein expressed to be performed on or before the Completion Date;
- (g) the delivery prior to Completion of the completion documents; and
- (h) no action shall have been taken and no statute, rule, regulation or order shall have been enacted, adopted or issued by any governmental or regulatory authority that would, as of the Completion Date, as the case may be, prevent the issuance or sale of Convertible Notes, or the issuance of the Conversion Shares; and no injunction or order of any court shall have been issued that would, as of the Completion Date, prevent the issuance or sale of Convertible Notes or the issuance of the Conversion Shares.

The obligations of the Company to issue the Convertible Notes is subject to the satisfaction, or waiver by the Company (other than (c) and (d)), of the following conditions:

- (a) the representations and warranties by the Subscriber in the Subscription Agreement are true, correct, accurate and not misleading in all material respects on the date of the Subscription Agreement and as of the Completion Date as though such representations and warranties were made at such date (except that any representations and warranties that are made as of a specified date shall be true and correct in all material respects as of such specified date);
- (b) the Subscriber shall have performed all of its obligations hereunder expressed to be performed on or before the Completion Date;
- (c) the number of the Conversion Shares issuable at the initial conversion price upon full exercise of the Conversion Rights on the Completion Date shall not be equal to 30 per cent. or more of the issued and outstanding share capital of the Company on the Completion Date (“30% Limitation”); and
- (d) no action shall have been taken and no statute, rule, regulation or order shall have been enacted, adopted or issued by any governmental or regulatory authority that would, as of the Completion Date, as the case may be, prevent the issuance or sale of the Convertible Notes, or the issuance of the Conversion Shares; and no injunction or order of any court shall have been issued that would, as of the Completion Date, prevent the issuance or sale of Convertible Notes or the issuance of the Conversion Shares.

Completion

Subject to the fulfillment of the Conditions Precedent above, Completion of the Subscription Agreement shall take place on a date which is the fifth Business Day after the last of the Conditions Precedent of (a) to (d) above for the Subscriber to purchase the Convertible Notes remaining to be satisfied, is satisfied (or waived by the Subscriber) (or such other date as may be agreed between the Company and the Subscriber). Further announcement will be made by the Company upon completion of the Subscription.

LETTER FROM THE BOARD

Underwriting the Company's Subscription

Protective Provisions

So long as the Subscriber owns at least 50% of the aggregate principal amount of the Convertible Notes, the Company shall not, without prior written consent of the Subscriber, take the following actions:

- (a) amend and/or repeal any provision of its memorandum of association or the articles of association, which would adversely affect the rights of the Subscriber;
- (b) issue or authorise the issue of any securities of any class having any right, preference or priority superior to or on a parity with the Convertible Notes;
- (c) commence liquidation, dissolution or the winding up of the affairs or the Company or any of its subsidiaries;
- (d) enter into any merger, consolidation or sale, to the extent that any such transaction involves all or substantially all of the assets of the Company which results in the control or the Company at its general meetings being transferred to a third party;
- (e) authorise or pay any dividend on any shares (i) in preference to, or *pari passu*, with the dividends payable on the Conversion Shares (other than payments of dividends due under the terms of the Series A Preferred Shares) or (ii) of any subsidiary of the Company unless, in the case of dividends payable by subsidiaries, the entire amount of such dividends are solely payable to the Company;
- (f) make any redemption or repurchase any capital stock of the Company, except for bona fide open market purchases from time to time conducted by the Company as approved by the Board and redemption or repurchase of Series A Preferred Shares;
- (g) make any loan or advancement to or issue any guarantee or indemnity for any other company (other than a wholly owned subsidiary of the Company) or persons (including connected persons) outside the ordinary course of business of the Company; or
- (h) issue any other guarantees outside the ordinary course of business of the Company.

Issue at a discount

So long as the Subscriber owns at least 25% of the aggregate principal amount of the Convertible Notes, the Company shall not, and shall procure that no member of the Group shall (without prior written consent of the Subscriber):

- (a) issue or offer new Shares for subscription or purchase at a price per Share which is less than 70% of the closing price per Share on the latest trading day preceding the date of the announcement of the terms of such issue or offer;

LETTER FROM THE BOARD

- (b) issue or grant any options, warrants or other rights to subscribe for or purchase or otherwise acquire Shares, or any securities which by their terms of issue carry (directly or indirectly) right of conversion into, or exchange or subscription for, any new Shares issuable by the Company in each case at a price per Share which is less than 70% of the closing price per Share on the latest trading day preceding the date of the announcement of the terms of such issue or grant;
- (c) issue any securities which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, new Shares (or grant any such rights in respect of existing securities so issued) or securities which by their terms might be re-designated as Shares and the consideration per Share receivable upon conversion, exchange, subscription or re-designation is less than 70% of the closing price per Share on the latest trading day preceding the date of the announcement of the terms of such issue;
- (d) modify the rights of conversion, exchange, subscription, purchase, or acquisition attaching to any such securities as mentioned above at paragraph 2.3(c) above, so that following such modification the consideration per Share receivable has been reduced and is less than 70% of the closing price per Share on the latest trading day preceding the date of the first announcement of the terms of issue of such securities; and/or
- (e) offer to Shareholders new Shares for subscription by way of rights, and/or grant any options, warrants, or other rights to subscribe for, purchase or convert into any Shares which would result in the number of Shares issuable under such rights issue or grant exceeding 50 per cent. or more of the number of issued and outstanding Shares in the share capital of the Company on the date of announcement of the terms of such issue or grant.

To seek the consent of the Subscriber, the Company may need to provide price-sensitive information to the Subscriber. In such circumstances, the Company will take appropriate protective measures including entering into a confidentiality agreement with the Subscriber to ensure that the Subscriber maintains confidentiality and not to misuse such information. The Company would provide such information to only those representatives of the Subscriber on a need-to-know basis, and would ensure the Subscriber agrees not to disclose such information to others. The Company would expect that the confidentiality agreement would include customary confidentiality obligations, such as not to disclose such information to any third party without express consent of the Company and not to misuse such information by dealing in the Company's securities until such information becomes public. The Company would also expect to provide in the confidentiality agreement that the Company would be entitled to injunctive relief to enforce the confidentiality obligations.

If the Subscriber does not agree to enter into confidentiality agreement with the Company, the Company would be obligated not to provide such price-sensitive information to the Subscriber. The Company would evaluate the possibility and feasibility of releasing such information to the public and then discuss with the Subscriber to seek its consent. For illustrative purpose only, if the Company is negotiating a merger agreement which would be subject to the consent of the Subscriber, the Company would evaluate the possibility of announcing the agreement once reached if the Subscriber does not agree to enter into a confidentiality agreement while the merger agreement is being negotiated. Once the agreement is announced, the Company would proceed to discuss with the Subscriber to seek its consent.

LETTER FROM THE BOARD

The rationale of the abovementioned undertaking provided by the Company is to balance the interests of the Subscriber and the Shareholders. Given there are other possible mechanisms including anti-dilution adjustment to the conversion price which served similar purposes, i.e. balancing the interests of the Subscriber and the Shareholders, the abovementioned Undertaking will only be applicable to material events and issue at a discount, and the arrangement of Undertaking is less complicated in general. Therefore, the Directors are of the view that such arrangement is in the interests of the Company and the Shareholders as a whole.

PRINCIPAL TERMS OF THE CONVERTIBLE NOTES

The principal terms of the Convertible Notes are summarised as follows:

Issuer:	The Company
Principal amount:	RMB200 million
Maturity Date:	The third anniversary of the date of issue of the Convertible Notes
Interest:	4.25% per annum, payable semi-annually in arrears in equal installments on 15 January and 15 July in each year, commencing on 15 January 2011.
Conversion:	<p>The Noteholder shall have the right to convert on an Business Day on or prior to the close of business on the Maturity Date, the whole of the principal amount of their Convertible Notes in denominations of RMB10,000,000 or integral multiples thereof into Shares at any time and from time-to-time at the Conversion Rate</p> <p>No fraction of a Share shall be issued on conversion of the Convertible Notes and no cash payment will be made to the Noteholders in respect of the fraction.</p>
Conversion Price:	shall initially be the lower of (i) HK\$2.00 or (ii) 1.2 times the volume weighted average of the closing price per Share for the five trading days prior to issuance of the Notes
Adjustment:	the Conversion Price is subject to adjustment for, amongst other things, upon the occurrence of consolidation, subdivision or reclassification, capitalization of profits or reserves, capital distributions

LETTER FROM THE BOARD

- Conversion Rate: initially be a number of Shares (rounded to the nearest fifth decimal place), to be calculated by dividing RMB10,000,000 (translated into Hong Kong dollars at the median exchange rate between Hong Kong dollars and RMB published by the People's Bank of China on the Completion Date) by the initial Conversion Price, subject to the Adjustment;
- Ranking of the Conversion Shares: The Conversion Shares will rank *pari passu* in all respects with the existing Shares in issue.
- Redemption: The Convertible Notes will be redeemed by the Company at the Maturity Date at its principal amount outstanding together with accrued interest thereon up to and including the Maturity Date
- The Company has no right to require early cancellation or redemption of any of the Convertible Notes prior to the Maturity Date
- Noteholders may terminate and request immediate redemption of the Convertible Notes at their principal amount then outstanding together with accrued interest upon occurrence of following events of defaults:
- (A) the Company defaults in performance or compliance with any of its obligations contained in the terms and conditions of the Convertible Notes, which breach or default is incapable of remedy or, if capable of remedy, is not remedied within thirty (30) Business Days after notice of such breach or default is sent from Noteholders to the Company;
 - (B) an encumbrancer takes possession or a receiver, manager or other similar officer is appointed of the whole or any material part of the undertaking, property, assets or revenues of the Company or any of their respective subsidiaries;
 - (C) the Company or any of its subsidiaries becomes insolvent or is unable to pay its debts as they mature or applies for or consents to the appointment of any administrator, liquidator or receiver of the whole or any part of its undertaking, property, assets or revenues or enters into a general assignment or compromise with or for the benefit of its creditors;

LETTER FROM THE BOARD

- (D) an order is made or an effective resolution passed for winding-up of the Company or any of its subsidiaries;
- (E) the Company defaults in the payment of the principal or interest, in respect of any Convertible Note save for a default of not more than thirty days in the payment of interest due in respect of any Convertible Note;
- (F) any other debentures, bonds, notes or other instruments of indebtedness or any other loan indebtedness (“**I n d e b t e d n e s s**”) of the Company and its subsidiaries or any securities convertible into or exchangeable for shares (“**E q u i t y L i n k e d S e c u r i t i e s**”) of the Company and its subsidiaries become prematurely repayable following a default in respect of the terms thereof which shall not have been remedied, or the Company or its subsidiaries defaults in the repayment of the Indebtedness or Equity Linked Securities at the maturity thereof or at the expiration of any applicable grace period thereof, or any guarantee of or indemnity in respect of any Indebtedness or Equity Linked Securities of others given by the Company or its subsidiaries shall not be honoured when due and called upon;
- (G) a moratorium is agreed or declared in respect of any indebtedness of the Company or its subsidiaries or any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or any material part of the assets of the Company or its subsidiaries

Transferability:	The Convertible Notes are freely transferable and shall be in denominations of RMB10,000,000 or integral multiples
Voting rights:	A Noteholder shall not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of his being a Noteholder
Listing:	No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock or securities exchange.
Governing Law:	Hong Kong

LETTER FROM THE BOARD

CONVERSION PRICE

The Conversion Price shall initially be the lower of (i) HK\$2.00 or (ii) 1.2 times the volume weighted average of the closing price per Share for the five trading days prior to issuance of the Notes. The Conversion Price will be only fixed on the date of issuance of the Convertible Notes. The purpose of such mechanism is to minimise the effect of market volatility of the Shares price from the date of signing the Subscription Agreement to the date of issuance of the Convertible Notes.

Whilst there is no set “floor Price” per se, the completion of the Subscription Agreement is conditional upon a Conversion Shares Cap of 30% (i.e. the number of the Conversion Shares issuable at the initial conversion price, assuming all of the Conversion Rights are fully exercised on the Completion Date, shall not equal to 30 per cent. or more of the then issued and outstanding share capital of the Company). The condition of a Conversion Shares Cap effectively sets a floor to the initial Conversion Price. For illustrative purpose only, assuming the initial Conversion Price is HK\$2.00, being the maximum Conversion Price, it represents:

- (1) A discount of 7.4% to the closing price of the Shares of HK\$2.16 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (2) a discount of 2.9% to the closing price of the Shares of HK\$2.06 per Share as quoted on the Stock Exchange on the last trading day of the Shares prior to the date of the Subscription Agreement;
- (3) a discount of 9.5% to the average of the closing prices of the Shares of HK\$2.21 per Share for the last five consecutive trading days up to and including the last trading day of the Shares prior to the date of the Subscription Agreement; and
- (4) a discount of 9.5% to the average of the closing prices of the Shares of HK\$2.21 per Share for the last ten consecutive trading days up to and including the last trading day of the Shares prior to the date of the Subscription Agreement.

For illustrative purpose only, assuming the initial Conversion Price is HK\$0.50 (which is calculated based on the 29.99%, being a percentage lower than the 30% Limitation), it represents:

- (1) A discount of 76.9% to the closing price of the Shares of HK\$2.16 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (2) a discount of 75.7% to the closing price of the Shares of HK\$2.06 per Share as quoted on the Stock Exchange on the last trading day of the Shares prior to the date of the Subscription Agreement;
- (3) a discount of 77.4% to the average of the closing prices of the Shares of HK\$2.21 per Share for the last five consecutive trading days up to and including the last trading day of the Shares prior to the date of the Subscription Agreement; and

LETTER FROM THE BOARD

- (4) a discount of 77.4% to the average of the closing prices of the Shares of HK\$2.21 per Share for the last ten consecutive trading days up to and including the last trading day of the Shares prior to the date of the Subscription Agreement.

The Conversion Price was determined after arm's length negotiations between the Company and the Subscriber with reference to the prevailing market price of the Shares. The Directors consider that the Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Assuming full conversion of the Convertible Notes, based on the issued share capital of the Company as at the Latest Practicable Date, the Convertible Notes will be convertible into a maximum of 466,525,191 Conversion Shares (under the 30% Limitation) and a minimum of 115,809,100 Conversion Shares, representing approximately 42.84% and 10.63% of the issued share capital of the Company, respectively as at the Latest Practicable Date and approximately 29.99% and 9.61% of the issued share capital of the Company, respectively as enlarged by the issue of the Conversion Shares upon exercising the conversion right attaching to the Convertible Notes in full.

There is no restriction on the shareholding of the Noteholder to avoid any obligation under the Takeover Code from time to time.

The mechanism of 30% Limitation is not to avoid the obligation under the Takeover Code, it is in turn to set the floor to the Conversion price of the Convertible Notes. The 30% Limitation as one of the conditions precedent to the issue of the Convertible Note is to avoid the initial Conversion Price being set at a lower level. This in effect sets a floor to the initial Conversion Price. For illustrative purpose only, based on the issued share capital of the Company as at the Latest Practicable Date, the table below illustrates the number of Conversion Shares and approximate percentage of the Ordinary Shares assuming full conversion of the Convertible Notes at the initial Conversion Price of HK\$2.00 and Conversion Price of HK\$0.50 (which is calculated based on the 29.99%, being a percentage lower than the 30% Limitation):

Conversion Price	Number of Conversion Shares	Approximate % of Ordinary Shares
HK\$2.00	115,809,100	9.61%
HK\$0.50	466,525,191	29.99%

For the number of Conversion Shares issuable to be over 30% Limitation, it has to be fully converted at the conversion price of not more than HK\$0.50 per Share, which in substance there is a floor price of HK\$0.50. If the Conversion Price is eventually fixed at below HK\$0.50, the condition precedent will then not be fulfilled and the Convertible Notes will not be issued.

REASONS FOR AND USE OF PROCEEDS FOR THE ISSUE OF THE CONVERTIBLE NOTES

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

LETTER FROM THE BOARD

The Board considers that the entering into of the Subscription Agreement and the issue of Convertible Notes represent an opportunity to obtain immediate funding towards financing the cash consideration due under the MMIM Acquisition, details of which are set out in the announcement of the Company dated 24 September, 2010.

The gross proceeds from issue of the Convertible Notes will be RMB200 million (equivalent to approximately HK\$231.62 million). The estimated net proceeds from the issue of the Convertible Notes will be approximately HK\$230 million will be applied (i) towards financing the cash consideration due under the MMIM Acquisition and (ii) with any remaining amount being used for general working capital. In the event the MMIM Acquisition does not complete, the net proceeds from the issue of the Convertible Notes will be used for general working capital.

The Board believes that although the issue of the Conversion Shares upon conversion of the Convertible Notes will lead to a potential dilution effect on the shareholding of the Company, the Subscription Agreement represents an opportunity to strengthen the capital base of the Company.

INFORMATION OF THE SUBSCRIBER

The Subscriber, EJJ Capital LLC, is a limited liability company incorporated under the laws of the State of Delaware in the United States of America. EJJ Capital LLC is controlled by Mr. Emanuel J. Friedman, its Chief Executive Officer and majority shareholder and Mr. Neal J. Wilson, its Chief Operating Officer and one of its minority shareholders.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquires, the ultimate beneficial owners of EJJ Capital LLC are third parties independent of the Company and connected persons of the Company, and the selling shareholders and the sellers' representative of the MMIM Acquisition.

SPECIFIC MANDATE FOR THE ISSUE OF THE CONVERSION SHARES

The Conversion Shares will be issued under the Specific Mandate to be sought from the Shareholders at the EGM.

APPLICATION FOR LISTING

No application will be made for the listing of, or permission to deal in, the Convertible Notes on the Stock Exchange or any other stock exchange.

The Company will apply to the Listing Committee of the Stock Exchange for the approval for the listing of, and permission to deal in, the Conversion Shares which may fall to be allotted and issued upon exercise of the Conversion Rights attaching to the Convertible Notes.

LETTER FROM THE BOARD

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The Conversion Price shall initially be the lower of (i) HK\$2.00 or (ii) 1.2 times the volume weighted average of the closing price per Share for the five trading days prior to issuance of the Notes, hence assuming full conversion of the Convertible Notes, the Convertible Notes will be convertible into a maximum of 466,525,191 Conversion Shares (under the 30% Limitation) and a minimum of 115,809,100 Conversion Shares based on the issued share capital of the Company as at the Latest Practicable Date.

For illustrative purpose only, the table below summarises the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) assuming full conversion of the Convertible Notes at the initial Conversion Price of HK\$2.00 and (iii) assuming full conversion of the Convertible Notes under the 30% Limitation:

Shareholder	As at the Latest Practicable Date			Assuming full conversion of the Convertible Notes at the initial Conversion Price of HK\$2.00 (Note)			Assuming full conversion of the Convertible Notes under the 30% Limitation (Note)		
	No. of	Approximate		No. of	Approximate		No. of	Approximate	
	Ordinary/ Series A	%	Approximate	Ordinary/ Series A	%	Approximate	Ordinary/ Series A	%	Approximate
	Preferred Shares	of Ordinary Shares	Voting %	Preferred Shares	of Ordinary Shares	Voting %	Preferred Shares	of Ordinary Shares	Voting %
Ordinary Share									
China National Computer Software & Technology Service Corporation (Hong Kong) Limited	195,315,173	17.93%	15.58%	195,315,173	16.21%	14.26%	195,315,173	12.56%	11.35%
Far East Holdings International Limited	138,989,822	12.76%	11.09%	138,989,822	11.54%	10.15%	138,989,822	8.93%	8.08%
Greater Pacific Capital Partners, LP	119,268,639	10.95%	9.51%	119,268,639	9.90%	8.71%	119,268,639	7.67%	6.93%
Deep Bright Limited	50,000,000	4.59%	3.99%	50,000,000	4.15%	3.65%	50,000,000	3.21%	2.91%
Directors									
Dr. Chen Yuhong	44,420,136	4.08%	3.54%	44,420,136	3.69%	3.24%	44,420,136	2.86%	2.58%
Dr. Cui Hui	20,000,000	1.84%	1.60%	20,000,000	1.66%	1.46%	20,000,000	1.29%	1.16%
Dr. Tang Zhenming	11,747,765	1.08%	0.94%	11,747,765	0.98%	0.86%	11,747,765	0.76%	0.68%
Mr. Wang Hui	9,237,838	0.85%	0.74%	9,237,838	0.77%	0.67%	9,237,838	0.59%	0.54%
Mr. Zeng Zhijie	300,000	0.03%	0.02%	300,000	0.02%	0.02%	300,000	0.02%	0.02%
The Subscribers				115,809,100	9.61%	8.46%	466,525,191	29.99%	27.12%
Public	499,797,941	45.89%	39.87%	499,797,941	41.48%	36.50%	499,797,941	32.13%	29.06%
Total Ordinary Shares	1,089,077,314	100.00%	86.88%	1,204,886,414	100.00%	87.99%	1,555,602,505	100.00%	90.44%
Series A Preferred Share									
Microsoft	97,250,000	–	7.76%	97,250,000	–	7.10%	97,250,000	–	5.65%
Dr. Chen Yuhong	38,300,000	–	3.06%	38,300,000	–	2.80%	38,300,000	–	2.23%
Others	28,950,000	–	2.31%	28,950,000	–	2.11%	28,950,000	–	1.68%
Total Series A Preferred Shares	164,500,000	–	13.12%	164,500,000	–	12.01%	164,500,000	–	9.56%
TOTAL	1,253,577,314	–	100.00%	1,369,386,414	–	100.00%	1,720,102,505	–	100.00%

Note: For the purpose of illustration only, conversion of RMB into Hong Kong dollars is based on the exchange rate of RMB0.86349 to HK\$1.00.

LETTER FROM THE BOARD

P blic Fl a

As illustrated in the table above, the Company will be able to comply with the public float requirement under the Listing Rules assuming full conversion of the Convertible Notes under the 30% Limitation.

FUND-RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at Latest Practicable Date, the authorised share capital of the Company is HK\$106,250,000 divided into 1,500,000,000 ordinary shares of HK\$0.05 each and 625,000,000 redeemable convertible preferred shares of HK\$0.05 each divided into 225,000,000 Series A-1 Preferred Shares of HK\$0.05 each, 200,000,000 Series A-2 Preferred Shares of HK\$0.05 each and 200,000,000 Series A-3 Preferred Shares of HK\$0.05 each, of which 1,089,077,314 Shares and 164,500,000 Series A Preferred Shares have been allotted and issued and fully paid. In order to accommodate the issue of Conversion Shares pursuant to the Convertible Notes under the Subscription Agreement and possible further issue of Shares under the Series A Preferred Shares and share options granted by the Company and shares issuable under the MMIM Acquisition, the Board proposes to increase the authorised share capital of the Company from HK\$106,250,000 divided into 1,500,000,000 ordinary shares of HK\$0.05 each and 625,000,000 redeemable convertible preferred shares of HK\$0.05 each divided into 225,000,000 Series A-1 Preferred Shares of HK\$0.05 each, 200,000,000 Series A-2 Preferred Shares of HK\$0.05 each and 200,000,000 Series A-3 Preferred Shares of HK\$0.05 each to HK\$131,250,000 divided into 2,000,000,000 ordinary shares of HK\$0.05 each and 625,000,000 redeemable convertible preferred shares of HK\$0.05 each divided into 225,000,000 Series A-1 Preferred Shares of HK\$0.05 each, 200,000,000 Series A-2 Preferred Shares of HK\$0.05 each and 200,000,000 Series A-3 Preferred Shares of HK\$0.05 each.

The Authorised Share Capital Increase is subject to and conditional upon the passing of an appropriate ordinary resolution by the Shareholders at the EGM.

EGM

The EGM will be held at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen's Road Central, Hong Kong at 4:00 p.m. on Thursday, 18 November 2010. A proxy form for use at the EGM is despatched to you with this circular. Whether or not you intend to attend the EGM, you are requested to complete the proxy form and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or the principal place of business of the Company at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen's Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM.

No Shareholder has any material interest in the Subscription, Special Mandate, and the Authorised Share Capital Increase. Therefore, no Shareholder is required to abstain from voting at the EGM in respect of the resolutions to approve the same.

LETTER FROM THE BOARD

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

- (a) by the chairman of such meeting; or
- (b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

In accordance with the requirements of the Listing Rules, the chairman of the EGM will demand that voting on the ordinary resolutions be decided by poll.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the Subscription, the Specific Mandate and the Authorised Share Capital Increase are fair and reasonable so far as the Shareholders are concerned and in the interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant ordinary resolution as set out in the notice of the EGM.

RESPONSIBILITY STATEMENT

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

Yours faithfully,
By order of the Board
Chi a f I e a i al Limi ed
CHEN Y h g
Managing Director

NOTICE OF EGM



中 软 国 际

CHINASOFT INTERNATIONAL LIMITED



*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 354)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of CHINASOFT INTERNATIONAL LIMITED (the “Company”) will be held at 4:00 p.m. on Thursday, 18 November 2010 at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen’s Road Central, Hong Kong for the purposes of considering and, if thought fit, passing with or without modification the following resolutions of the Company:

ORDINARY RESOLUTIONS

“THAT:

1. the authorised share capital of the Company be and is hereby increased from HK\$106,250,000 divided into 1,500,000,000 ordinary shares of HK\$0.05 each and 625,000,000 redeemable convertible preferred shares of HK\$0.05 each divided into 225,000,000 Series A-1 Preferred Shares of HK\$0.05 each, 200,000,000 Series A-2 Preferred Shares of HK\$0.05 each and 200,000,000 Series A-3 Preferred Shares of HK\$0.05 each to HK\$131,250,000 divided into 2,000,000,000 ordinary shares of HK\$0.05 each and 625,000,000 redeemable convertible preferred shares of HK\$0.05 each divided into 225,000,000 Series A-1 Preferred Shares of HK\$0.05 each, 200,000,000 Series A-2 Preferred Shares of HK\$0.05 each and 200,000,000 Series A-3 Preferred Shares of HK\$0.05 each.
2.
 - (a) the Subscription Agreement (as defined in the circular to the shareholders of the Company dated 1 November 2010 (the “Circular”)), a copy of which has been produced at the EGM and marked “A” and initialled by the chairman of the EGM for identification purpose and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and that the directors of the Company are hereby authorized to perform the obligations of the Company under the Subscription Agreement to consummate the transactions contemplated under the Subscription Agreement;
 - (b) the issue of the Convertible Notes (as defined in the Circular) in accordance with the Subscription Agreement be and is hereby approved;
 - (c) the issue and allotment by the Company of the Conversion Shares (as defined in the Circular) as contemplated under the Subscription Agreement be and is hereby approved; and

* For identification purposes only

NOTICE OF EGM

- (d) the directors of the Company be and are hereby authorised to do all such acts and things and to sign, seal, execute and deliver all such documents and to take all such steps for and on behalf of the Company as they may in their absolute discretion consider necessary or appropriate to give effect to or in connection with the Subscription Agreement and all transactions contemplated thereunder.

By order of the Board
CHINASOFT INTERNATIONAL LIMITED
CHEN Y h g
Managing Director

1 November 2010

Registered Office:

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

Principal Place of Business in Hong Kong:

Units 4607-8, 46th Floor,
COSCO Tower,
No. 183 Queen's Road Central,
Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and to vote instead of him. A proxy need not be a member of the Company.
2. Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
3. A form of proxy for use at the meeting is enclosed.
4. To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or the principal place of business of the Company in Hong Kong at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen's Road Central, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting.
5. The register of members of the Company will be closed from Tuesday, 16 November 2010 to Thursday, 18 November 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the meeting (or any adjournment thereof), all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 15 November 2010.