THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Xteam Software International Limited**, you should at once hand this circular with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

XTEAM SOFTWARE INTERNATIONAL LIMITED

衡 浪 平 台 軟 件 國 際 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

PROPOSED REFRESHMENT OF THE LIMIT OF THE EXISTING SHARE OPTION SCHEME

A notice convening an extraordinary general meeting of Xteam Software International Limited to be held at the Boardroom, Basement II, The Wharney Hotel Hong Kong, 57-73 Lockhart Road, Wanchai, Hong Kong at 10:30 a.m. on Thursday 25th September, 2003 is set out on page 6 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with Computershare Hong Kong Investor Services Limited, the branch share registrar of Xteam Software International Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

This circular will remain on the "Latest Company Announcements" page of the GEM website for at least 7 days from the date of its posting.

10th September, 2003

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CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risks profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

1. the information contained in this circular 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 circular misleading; and

3. all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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

"Board"	the board of Directors
"Company"	Xteam Software International Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held on 25th September, 2003 at 10:30 a.m., at the Boardroom, Basement II, The Wharney Hotel Hong Kong, 57-73 Lockhart Road, Wanchai, Hong Kong for the consideration of the Proposed Refreshment, notice of which to the Shareholders is set out on page 6 of this circular
"Existing Scheme"	the existing share option scheme for the Company adopted on 21st November, 2001, details of which were set forth in the prospectus of the Company dated 30th November, 2001
"GEM"	the Growth Enterprise Market operated by the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"Latest Practicable Date"	5th September, 2003, being the latest practicable date prior to the printing of this circular for ascertaining certain information of this circular
"Proposed Refreshment"	means the proposal to refresh the limit under the Existing Scheme so that the Company may grant options of up to 10% of its issued share capital as at the date of the EGM
"Share(s)"	ordinary shares of HK$0.01 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

XTEAM SOFTWARE INTERNATIONAL LIMITED
衡浪平台軟件國際有限公司

(incorporated in the Cayman Islands with limited liability)

Executive Directors:
Mr. Ren Yi *(Co-Chairman)*
Mr. Yang Feng
Mr. Mak To Wai
Mr. Wu Meng Jie

Non-executive Directors:
Mr. Ma Gary Ming Fai *(Chairman)*
Mr. Liu Jun

Independent non-executive Directors:
Mr. Wang Shi Yu
Mr. Cheng Shu Wing

Registered office:
Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
Zephyr House
George Town
Grand Cayman
British West Indies

Head office and principal place of business:
Suite 1913, Asian House
1 Hennessy Road
Wanchai
Hong Kong

10th September, 2003

To the Shareholders

Dear Sirs,

PROPOSED REFRESHMENT OF THE LIMIT OF THE EXISTING SHARE OPTION SCHEME

INTRODUCTION

On 1st September, 2003, the Board announced the Proposed Refreshment to refresh the limit of the Existing Scheme to grant options of up to 10% of the issued capital of the Company as at the date of the EGM. The Proposed Refreshment will be put forward to the Shareholders for their consideration and, if thought fit, approval at the EGM to be held on 25th September, 2003.

The purpose of this circular is to provide you with further information regarding the Proposed Refreshment and to give you notice of the EGM at which an ordinary resolution will be proposed to consider and, if thought fit, approve, among other matters, the Proposed Refreshment.

THE PROPOSED REFRESHMENT

Pursuant to the written resolutions passed by all the shareholders of the Company on 21st November, 2001, the Existing Scheme was adopted. Under the Existing Scheme, the Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme. The Company may grant options of up to 10% (equivalent to 108,066 Shares) of the issued share capital of the Company as at the date of adoption of the Existing Scheme.

Reasons for the Proposed Refreshment

No options were granted under the Existing Scheme as at the Latest Practicable Date. Based on 640,007,938 Shares in issue as at the Latest Practicable Date, the Company may only grant options of up to 0.017% of the current issued capital (108,066 Shares divided by 640,007,938 Shares). The Board considers that it is necessary to "refresh" the limit of the Existing Scheme so as to allow sufficient flexibility to grant options pursuant to the Existing Scheme. If the Proposed Refreshment is approved, based on 640,007,938 Shares in issue, the Board will be able to grant options for subscription of up to a total of 64,000,793 Shares. As a means to provide incentive and reward to talented individuals who has contributed or will contribute towards the long-term success and prosperity of the Group, the Board considers that the Company should refresh the limit of the Existing Scheme so that the Company could have more flexibility to provide incentive to these individuals by way of granting share options to them.

Accordingly, the Board intends to propose to the Shareholders that the Company should refresh the limit of its Existing Scheme. The Directors consider that the refreshment of the limit of the Existing Scheme is in the interests of the Company and the Shareholders as a whole because it enables the Company to reward and motivate its employees and other participants under the Existing Scheme.

Conditions of the refreshment of the limit of the Existing Scheme

The refreshment of the limit of the Existing Scheme is conditional upon the approval of such refreshment at the EGM and upon granting by the Stock Exchange of the listing of and permission to deal in the Shares to be issued upon the exercise of the options to be granted under the "refreshed" limit of the Existing Scheme. The Directors will seek approval of the Shareholders of the Proposed Refreshment at the EGM.

General mandate to Directors to grant options

A resolution will be proposed at the EGM to refresh, and to grant to the Directors, general authority to grant options for the subscription of not more than 10% of the entire issued share capital of the Company as at the date of the passing of such resolution and to allot, issue and deal in the Shares issued pursuant to the exercise of such options.

RECOMMENDATION

The Board believes that the Proposed Refreshment is beneficial to the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to implement the Proposed Refreshment at the EGM.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's head office and principal place of business in Hong Kong at Suite 1913, Asian House, 1 Hennessy Road, Hong Kong during normal business hours on any business day up to and including Thursday, 25th September, 2003 and at the EGM:

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

(ii) the Existing Scheme.

THE EGM

In connection with the Proposed Refreshment, notice of the EGM is set out on page 6 of this circular. At the EGM, an ordinary resolution will be proposed to approve the Proposed Refreshment and to grant to the Directors a general mandate to grant options and among other things, allot, issue and deal in the Shares pursuant to the exercise of such options.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and, in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

SPONSOR'S INTERESTS

First Shanghai Securities Limited entered into a sponsor agreement ("Sponsor Agreement") on 30th November, 2001 with the Company whereby, for a fee, First Shanghai Securities Limited would act as the Company's continuing sponsor for the purpose of Chapter 6 of the GEM Listing Rules for the period from 11th December, 2001 to 31st March, 2004.

In early 2002, First Shanghai Securities Limited has undergone a business rationalisation with a view to have a better demarcation of various business units, including the segregation of corporate finance and securities trading business and relevant staff of First Shanghai Securities Limited were transferred to another fellow subsidiary, First Shanghai Capital Limited, with effect from 16th January, 2002.

On 16th January, 2002, the Company agreed to novate with First Shanghai Capital Limited the rights and obligations under the Sponsor Agreement. As a result, First Shanghai Capital Limited has acted as the continuing sponsor of the Company until 31st March, 2004.

As at the Latest Practicable Date, neither First Shanghai Capital Limited nor its respective directors or employees or associates (as referred to in note 3 to Rule 6.35 of the GEM Listing Rules) has any interests in the Shares, including options or rights to subscribe for any Shares.

By Order of the Board
Xteam Software International Limited
Mak To Wai
Company Secretary

XTEAM SOFTWARE INTERNATIONAL LIMITED
衡浪平台軟件國際有限公司

(incorporated in the Cayman Islands with limited liability)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Xteam Software International Limited (the "**Company**") will be held at 10:30 a.m. on Thursday, 25th September, 2003 at the Boardroom, Basement II, The Wharney Hotel Hong Kong, 57-73 Lockhart Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the resolution set out below as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the shares of HK$0.01 each ("**Shares**") in the share capital of the Company to be issued pursuant to the exercise of options which may be granted under the Refreshed Limited (as defined below), the existing scheme mandate limit ("**Scheme Mandate Limit**") under the share option scheme ("**Share Option Scheme**") of the Company adopted pursuant to written resolutions of the shareholders of the Company passed on 21 November, 2001 be refreshed so that the aggregate nominal amount of share capital to be allotted and issued pursuant to the grant or exercise of any options under the Share Option Scheme and any other schemes of the Company (excluding options previously granted, outstanding, cancelled, lapsed or exercised under the Share Option Scheme and any other schemes of the Company) shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution ("**Refreshed Limit**") and that the directors of the Company be and are hereby unconditionally authorised to grant options up to the Refreshed Limit and to exercise all the powers of the Company to allot, issue and deal with Shares pursuant to the exercise of such options."

By Order of the Board
Xteam Software International Limited
Mak To Wai
Company Secretary

Hong Kong, 10th September, 2003

Head office and principal place of business in Hong Kong:
Suite 1913, Asian House
1 Hennessy Road
Wanchai
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company. A form of proxy for use at the meeting is enclosed herewith. In the case of a joint holding, the form of proxy may be signed by any joint holder, but if more than one joint holder is present at the meeting, whether in person or by proxy, that one of the joint holders whose name stands first on the register of members in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.

2. To be valid, the form of proxy together with any power of attorney or other authority under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with Computershare Hong Kong Investor Services Limited, the branch share registrar of the Company, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

3. Completion and return of the accompanying form of proxy will not preclude members of the Company from attending and voting in person at the meeting or any adjournment thereof should they so wish.