



# ChinaSoft International (0354.HK)

2011 Annual Investor Presentation

March 2012





# Agenda

- 1** **Company Background**
- 2** 2011 Annual Financial Highlights
- 3** Business Review and Development
- 4** Future Outlook
- 5** Appendix



# Snapshot of ChinaSoft International

## Service Offering (% of service revenue<sup>1</sup>)

- IT Consulting and Solutions (47.5%)
- IT Outsourcing (49.0%)
- Others (3.5%)

## Vertical Coverage (% of service revenue<sup>1</sup>)

- Government & Manufacturing (24.6%)
- BFSI (18.0%)
- Telecommunications (27.0%)
- Technologies (26.9%)
- Others (3.5%)

## Service Locations (% of service revenue<sup>1</sup>)

- 21 cities in China (71.8%)
- US, UK, Japan and other (28.2%)

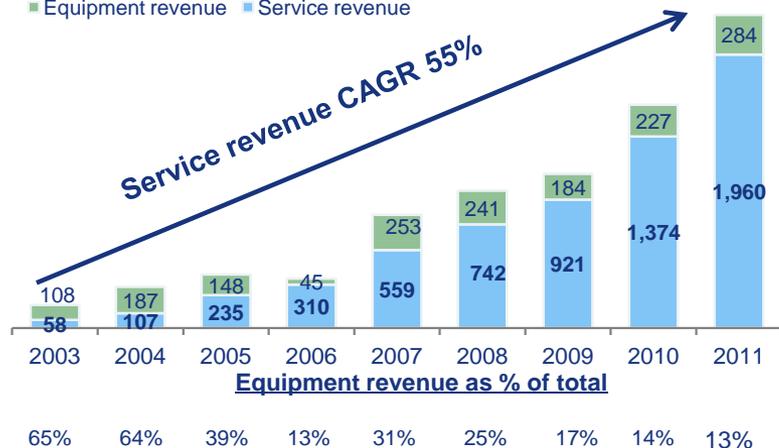
### Headcount



### Total Revenues

(In RMB mm)

■ Equipment revenue ■ Service revenue

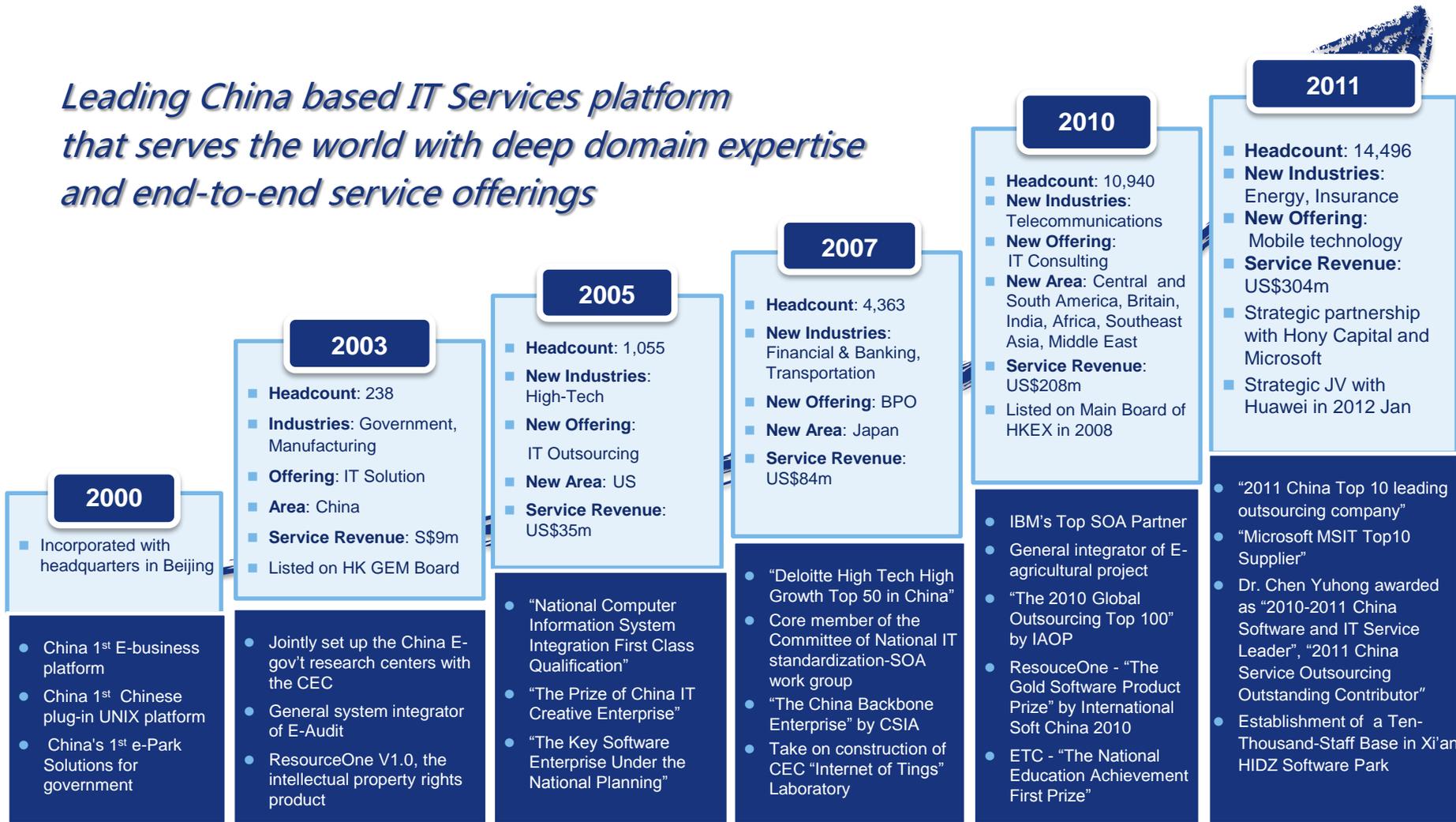


<sup>1</sup> For the 12 months ended 12/31/2011



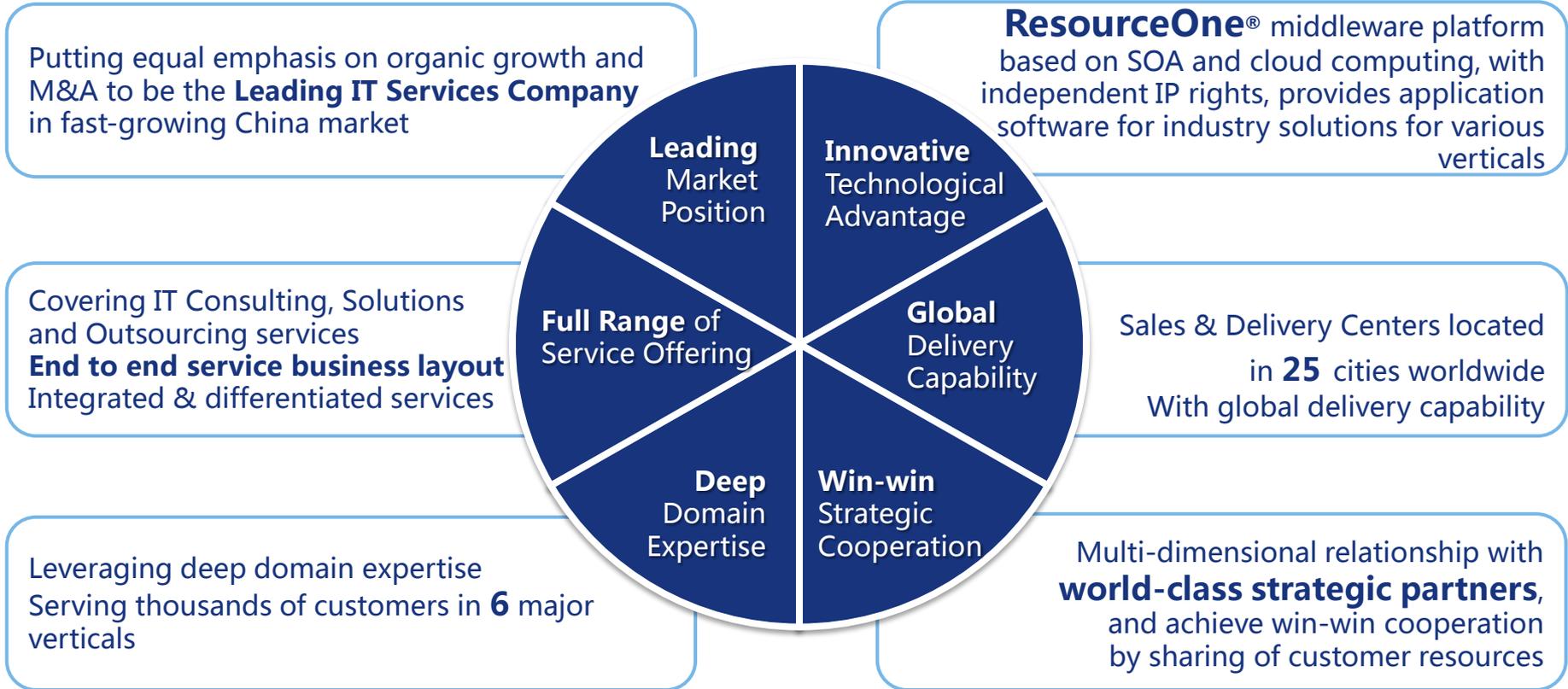
# Business Development History

*Leading China based IT Services platform that serves the world with deep domain expertise and end-to-end service offerings*





# Core Strength





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## Key Financial and Operating Data

RMB'000	2011	2010	Growth%
Revenue	<b>2,243,754</b>	1,601,211	40.1%
Service Revenue	<b>1,959,885</b>	1,374,424	42.6%
Gross Profit	<b>729,491</b>	513,204	42.1%
Segment Results	<b>218,589</b>	166,539	31.3%
EBITDA	<b>293,184</b>	200,836	46.0%
Non-GAAP Operating Profit*	<b>323,380</b>	233,687	38.4%
Non-GAAP Net Profit**	<b>155,732</b>	115,461	34.9%
<b>Non-GAAP EPS **: RMB 0.1076</b>			

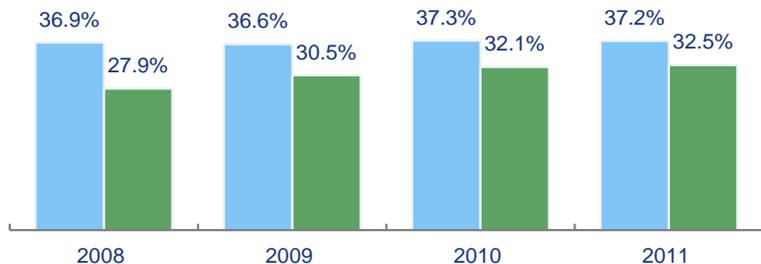
\* Non-GAAP Operating Profit represents EBITDA excluding share option expenses, net foreign exchange loss(gain) and allowance for doubtful debts.

\*\* Excluding P shares valuation , Impairment loss on goodwill ,Gain arising from FV changes of contingent consideration payable on acquisition of business, and Loss on deemed disposal of associates.

# Key Financial and Operating Ratio

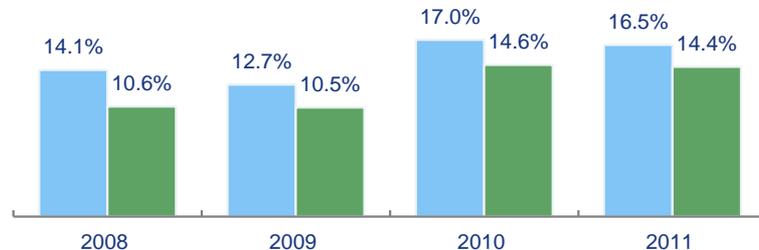
## Gross Margin

Service Gross Margin    Total Gross Margin



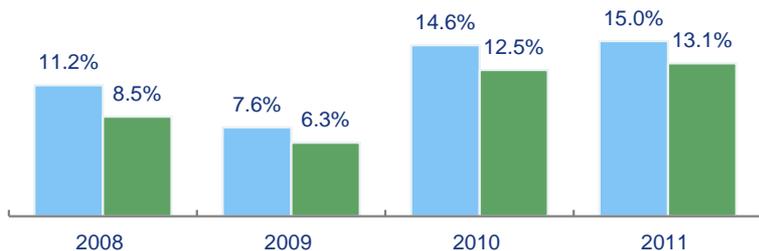
## Non-GAAP Operating Margin

Service Operating Margin    Total Operating Margin



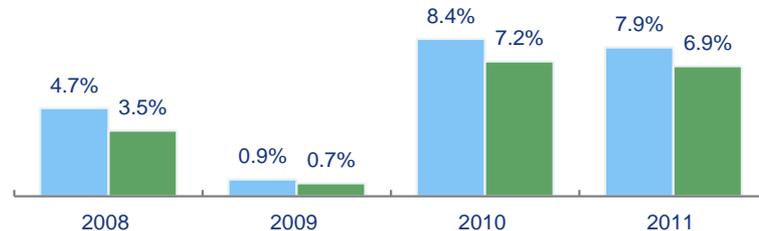
## EBITDA Margin

Service EBITDA Margin    Total EBITDA Margin



## Non-GAAP Net Margin

Service Net Margin    Total Net Margin





## Financial and Operating Ratio Analysis

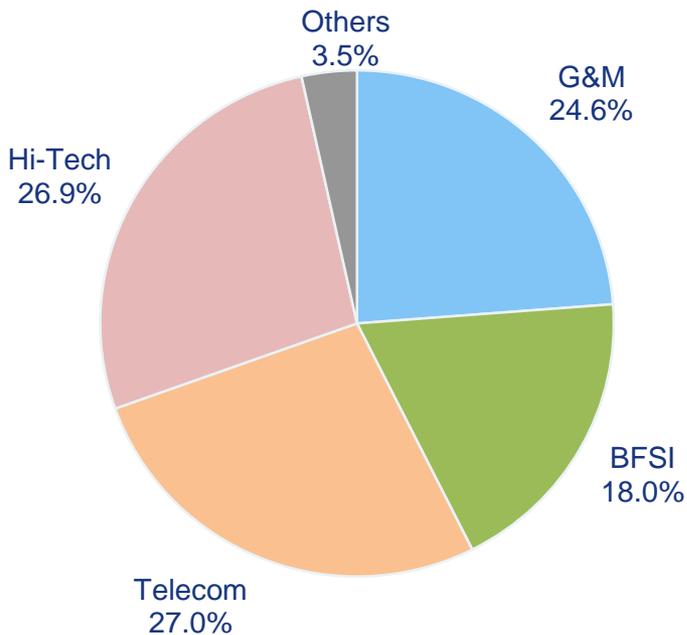
RMB' 000	2011	Per Revenue%	Per Service revenue%	2010	Per Revenue%	Per Service revenue%	Per Service Revenue G%	Growth%
Revenue	2,243,754			1,601,211				40.1%
<i>Service Revenue</i>	<i>1,959,885</i>	<i>87.3%</i>		<i>1,374,424</i>	<i>85.8%</i>			<i>42.6%</i>
Cost of sales	1,514,263	67.5%		1,088,007	67.9%			39.2%
—Salary Costs	971,942	43.3%		640,390	40.0%			51.8%
<b>Gross Profit</b>	<b>729,491</b>	<b>32.5%</b>	<b>37.2%</b>	<b>513,204</b>	<b>32.1%</b>	<b>37.3%</b>	<b>-0.1%</b>	<b>42.1%</b>
+Other Revenue	46,036	2.1%	2.3%	35,264	2.2%	2.6%	-0.3%	30.5%
-Selling Expenses	148,706	6.6%	7.6%	94,203	5.9%	6.9%	0.7%	57.9%
-Administration Expenses	309,278	13.8%	15.8%	241,444	15.1%	17.6%	-1.8%	28.1%
-R&D Cost Expensed	45,989	2.0%	2.3%	39,086	2.4%	2.8%	-0.5%	17.7%
-Allowance for Doubtful Debt	17,417	0.8%	0.9%	8,276	0.5%	0.6%	0.3%	110.4%
-Amortization of Intangible Assets	47,514	2.1%	2.4%	29,889	1.9%	2.2%	0.2%	59.0%
-Finance Cost	23,898	1.1%	1.2%	8,102	0.5%	0.6%	0.6%	195.0%
+Share of Result of Associates	2,618	0.1%	0.1%	2,650	0.2%	0.2%	-0.1%	-1.2%
<b>Profit Before Taxation*</b>	<b>185,343</b>	<b>8.3%</b>	<b>9.5%</b>	<b>130,118</b>	<b>8.1%</b>	<b>9.5%</b>	<b>0.0%</b>	<b>42.4%</b>
-Taxation	29,611	1.3%	1.5%	14,657	0.9%	1.1%	0.4%	102.0%
<b>Non-GAAP Net Profit*</b>	<b>155,732</b>	<b>6.9%</b>	<b>7.9%</b>	<b>115,461</b>	<b>7.2%</b>	<b>8.4%</b>	<b>-0.5%</b>	<b>34.9%</b>

\* Excluding the changes in fair value of redeemable convertible preferred shares, Impairment loss on goodwill, Gain arising from changes in fair value of contingent consideration payable on acquisition of business and Loss on deemed disposal of associates.



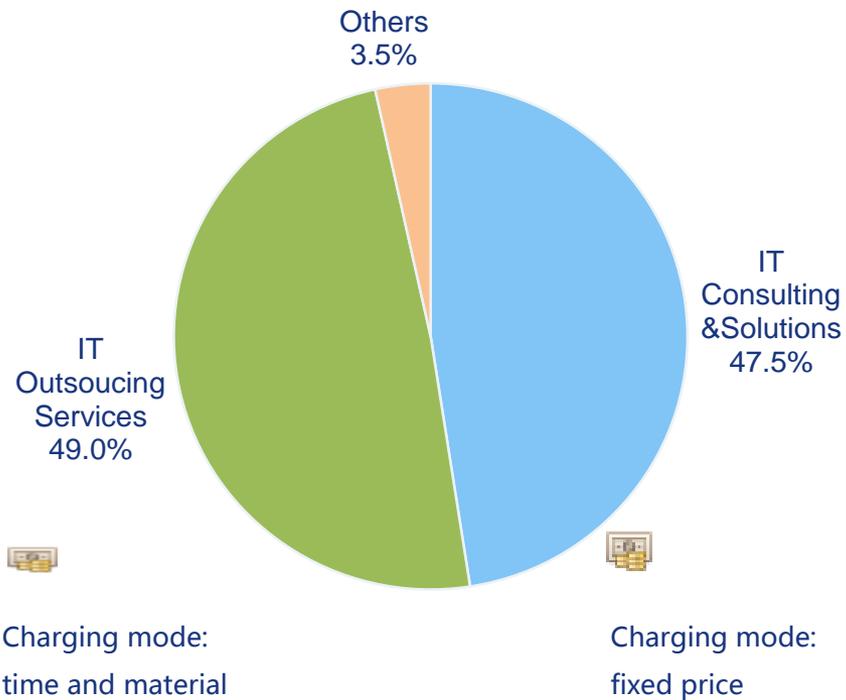
# Business Distribution

### Service Revenue by Industry Verticals



Total 2011 Service Revenue: RMB 1960mm

### Service Revenue by Service Type



Total 2011 Service Revenue: RMB 1960mm



## Segment Revenues and Results

RMB'000	Segment Revenue			Segment Service Revenue			Segment Results*		
	2011	2010	Growth	2011	2010	Growth	2011	2010	Growth
G&M	<b>726,905</b>	471,820	54.1%	<b>579,534</b>	364,431	59.0%	<b>54,586</b>	36,997	47.5%
BFSI	<b>488,052</b>	392,059	24.5%	<b>351,554</b>	272,661	28.9%	<b>43,615</b>	36,168	20.6%
IT Outsourcing	<b>959,458</b>	682,917	40.5%	<b>959,458</b>	682,917	40.5%	<b>110,609</b>	85,596	29.2%
Training	<b>69,339</b>	54,415	27.4%	<b>69,339</b>	54,415	27.4%	<b>9,779</b>	7,778	25.7%
<b>Total</b>	<b>2,243,754</b>	1,601,211	40.1%	<b>1,959,885</b>	1,374,424	42.6%	<b>218,589</b>	166,539	31.3%

\* Segment results represent the profit earned by each segment without allocation of impairment loss recognized in respect of goodwill, corporate expenses, share-based payment, gain arising from changes in fair value of contingent consideration payable on acquisition of a business, loss arising from changes in fair value of redeemable convertible preferred shares, interest charge on convertible loan notes and certain items of other income, gains and losses recorded at corporate level.



# Customers Analysis

## Top Customers Concentration



## Customer Analysis

- For the 2011, the service revenue from the **top 5 customers** accounted for **38.4%** of the Group's total service revenue.
- For the 2011, the service revenue from the **top 10 customers** accounted for **43.7%** of the Group's total service revenue.
- With continuous development of new customers and intensive tapping of existing customers in the vertical industries, it is expected that the top customers concentration will further decline.
- There were **855 active customers** for 2011, of which **320 were new customers**.
- For 2011, the Group had **58 customers** from which **over RMB 6,000,000** of service revenue had been derived.



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# Deep Domain Expertise in China's Most Attractive Verticals

## Government & Manufacturing

- **Audit:** continues to be leading vendor. The Golden Auditing Project has been reaching its peak, and our new businesses, such as “private cloud” in auditing and BPO service, had established their preferable market condition; formal launch of products such as Networking Audit System and Audit Management System.
- **Finance:** awarded the tender from the Ministry of Finance for the government procurement management system project, and is undertaking the construction of core financial business, and businesses cover many provinces and cities in the mid and south of China.
- **Environment:** awarded the tender from the Ministry of Environmental Protection for the emission reduction application system supporting platform and system integration project, as well as the underground water environmental base condition inspection information system.
- **Tobacco:** awarded the tender for MES projects in the tobacco industry, and the leading position in the industry has been established.
- **Coal:** awarded the tender for the IT planning project of Taiyuan Branch, China Coal Technology and Engineering Group Corp to develop new industrial customers.

## BFSI

- **Bank:** The deficiency-free start-up of the new generation of Shanghai Bank credit card system and the successful start-up of the card system of Ping An Bank received high appreciation from the customers; Certain scope of outsourcing revenues were generated from HSBC, Ping An and China Union pay, indicating the rise of end-to-end service in the financial industry.
- **Insurance:** has successfully signed with CPIC Life on national data centralization project, offering support and services for the national business integration for the customer; officially launched its own IP products, eg. TOP FXGL Risk Management Information Software.
- **Transportation:** awarded the tender for railway traffic ticketing systems in Wuxi, Ningbo, Shanghai and Tianjin, which has successfully extended the project application and explored new cities; Official startups of Chongqing MTR ACC System; the Qingdao Pass Electronic Toll Collection Project has successfully passed its trial run.
- **Public Service:** has obtained the third party payment licenses from the China Central Bank with PayPass to be directly involved in the payment business, so as to achieve the transformation in the layout of the financial operating services business.



# Deep Domain Expertise in China's Most Attractive Verticals

## Telecommunications

- **With Telecom Operators:**
  - Has signed the contract with China Mobile on the convenience card platform construction project in a successful involvement in mobile payment platform market; following the phone wallet project by Shanghai Mobile.
  - Has signed a strategic cooperation agreement with Shanghai Mobile, to jointly promote innovation and business maturity for technology, products, and model of the mobile e-commerce industry, and strengthen market development.
- **With Telecom Equipment Providers:**
  - Continues to remain the strategic partnership with Huawei, becoming its largest supplier of Xi'an branch, and has achieved outstanding performance in its supplier appraisal ranking.
  - Has cooperation with Huawei, by providing Rich Communication Suite services to foreign telecom operators, bringing the expansion of telecom products into the overseas market.
  - Has become the only supplier of annual outstanding enterprises among all TD software vendors.

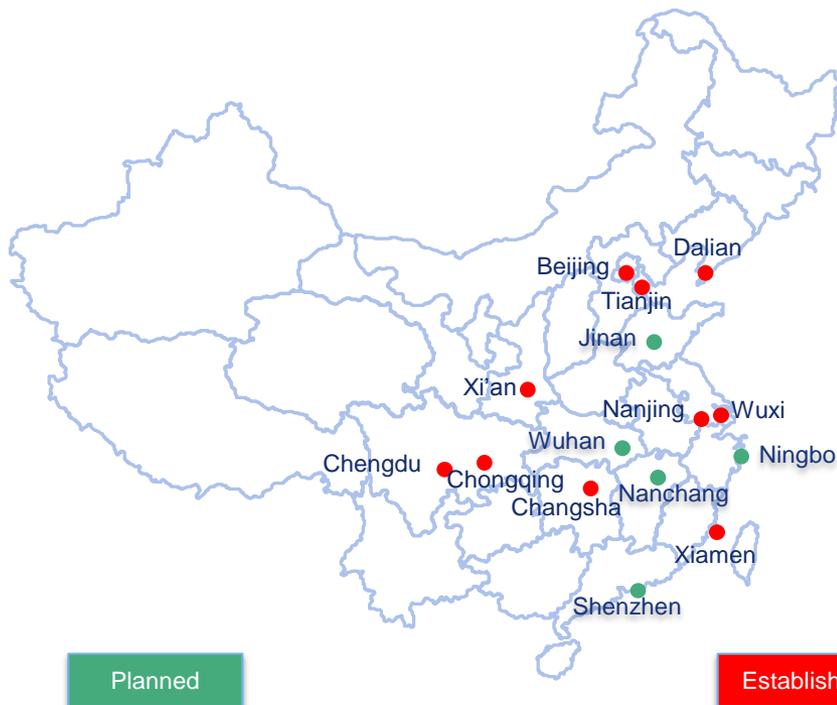
## High Technology

- **Customer relationships remain stable, with sustained growth in business volume**
  - Has become the fastest growing Chinese supplier of Microsoft, the largest supplier of MSIT in China as well as the first Chinese Top 10 MSIT supplier out of 3000 suppliers of Microsoft; signed a development and test agreement with Microsoft GFS.
  - Has successfully signed with GE strategic customers a three-year Oracle ERP operation and maintenance services contract in China and the United Kingdom.
- **Continues to build high-end service capabilities, and develop new business direction and customer**
  - Has successfully developed Managed Service business, by completing the first infrastructure management services project (construction of a data center for a world-renowned financial institution), and successfully come to the negotiation of the second phase project;
  - Has successfully developed outsourcing business for a well-known ERP software vendor in China by expanding the business development in the enterprise application services (EAS).
  - Has successfully signed a contract with a Global 500 company on financial process outsourcing business, making a breakthrough in the high-end BPO in the financial field.



## Strong and differentiated human supply platform

### Nationwide Training Centers



### Superior Talent Management

- The Group collaborates with **over 400** universities and educational institutions. The training business achieved profitability growth as well as ensuring talents supply to the company, training more than **35,000** students annually.
- During the period, 41 new schools were signed for deep cooperation (total: 59), 27 of which were jointly built schools/departments (total: 36).
- Has participated In the "Excellence Engineers Campaign" of the Ministry of Education, and developed solutions for "Engineering Practical Education Center";
- Has proactively developed the "Internet of Things Lab" and "Mobile Internet Laboratory", and is promoting them to the universities with deep cooperation.





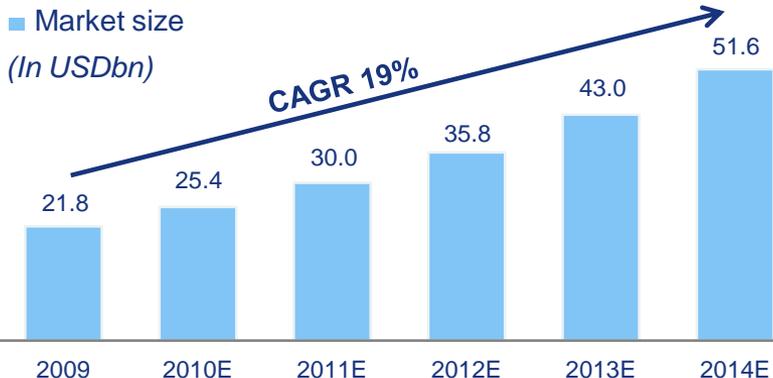
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# Leading IT Services Company in the Fast-growing Chinese Market

## China Domestic IT Services Market



## Global IT Outsourcing to China<sup>1</sup>



Source: CCID 2009-2010 China IT service market research report

## Leadership in China IT Services

- Ranked **Top 3** by IDC in Consulting & Solutions for Government industry vertical in 2007-2010
- Ranked **Top 2** by IDC in IT Outsourcing for Americas and Europe in 2007-2010

## New Opportunities in 12th Five Year Planning Period

- In 12<sup>th</sup> five year planning period, China will **focus on fostering knowledge-intensive service industries** with a core of new generation information industry<sup>1</sup>. Market scale of China's software and IT services will grow from 1.12 trillion in 2010 to **more than 3 trillion in 2015<sup>2</sup>**.
- The scales of following strategic emerging industries are expected to reach<sup>2</sup>:
  - Government: **USD 1.6 billion** in 2012
  - Banking and insurance: **USD 2.2 billion** in 2012
  - Telecommunications: **USD 3.0 billion** in 2012
  - Manufacturing: **USD 3.5 billion** in 2012
  - Mobile Internet: **USD 35.0 billion** in 2012
  - Internet of Things: **USD 700 billion** in 2015
- 2012-2015, total investment plan of China's top 40 large state-owned enterprises(SOE) in the IT services will be **more than USD 1200 billion**.(30 billion per each SOE in average)

1 Quote from "the CPC Central Committee proposed 12th Five-Year Plan", "the State Council decision on accelerating the development of strategic emerging industries".

2 Data Source: CCID, IDC, Analysis International, CCW Research



# Vision and Development Objective of ChinaSoft International

## Vision

**Grow together with China** as a global IT service company rooted in China with end to end service capability.  
**Become a world-class enterprise** in booming China market with abundant human resources as competitive advantage.

## Values

Creating, Sharing and Growing Together

## Mission

Drive the progress with the Informatization



## Strategic Objectives

Long-term	By year 2020 , Global <b>Top20</b> Software and IT services company with service revenue reaching USD <b>5billion</b> and <b>100,000</b> headcount
Mid-term	By year 2015 , Global <b>Top50</b> Software and IT services company with service revenue reaching USD <b>1.5billion</b> and <b>50,000</b> headcount
Short-term	By year 2012 , Global <b>Top100</b> Software and IT services company with service revenue reaching USD <b>450million</b> and <b>20,000</b> headcount



# Driving Revenue Growth

## Focus on Future High-Growth Areas

- **Focus on key directions in the “Twelfth Five-Year Plan”:** Fast growth driven by government’s 5-year-plan (2011-2015) which promotes IT Services in areas such as Social Security, Insurance, Agriculture, Power, High-speed Railway and Large SOEs, etc
- **Expand software services overseas through increasing market shares in telecom industry:** Focus on developing VAS and mobile internet business to capture huge business opportunities in the area, and continue to expand the software outsourcing and solutions business in all verticals globally by cooperating with Huawei.
- **Enhance competitiveness through strategic acquisitions:** Expand services offering, improve business deployment, enhance competitiveness and captures opportunities arising in the market of rapid growth in IT demand in PRC and worldwide via strategic acquisitions.

## Service

- Benefit from multiple revenue growth drivers
- Leverage cross-selling opportunities
- A new service offering, Managed Service, to be offered using cloud computing and SaaS
- Development of high-end BPO service that utilizes a Shared-Service-Center model

## Geography

- Building delivery capacity in Southeast Asia, to support MNCs moving Asia Pacific HQ to China
- Expand into South and Central America as well as Middle East by partnering with Huawei and selling our products and solutions to Huawei’s customers

## M&A

- Continue to acquire right targets that help vertical expansion, enlarge solution base, increase revenue and expand margin



# Driving Margin Expansion

## Gross Profit

- **Focus more on consulting and solution** : Increasing of reusability of solutions for both Lines of Business, we can increase the Gross Margin of the whole Group .
- **Focus on high margin customers** : By increasing the weighting of Mobile Internet related business which enjoy a much higher Profit Margin in the next forthcoming years we will have a much bigger room for further improvement in GM.
- **Reduce direct cost by moving delivery centers to tier-three cities** : By switching our offshore delivery centers(ODCs) for total solution from Tier one city to Tier Three Cities, commencing from the Line of Business of Government and Manufacturing, we can increase our GM in the forthcoming years as we enjoy the "economies of scale" for ODC delivery centre in Tier Three cities.

## Operating margin

- Streamline operation and management (ERP on HR, Finance, etc.) to reduce G&A expense
- Consolidate regional delivery capabilities to reduce management overhead
- Increase cross-selling to reduce sales and marketing cost



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***THANK YOU***



## Reconciliations of “GAAP NP” to “Non-GAAP NP” and Non-GAAP OP”

RMB' 000	2011	Per Revenue %	Per Service revenue%	2010	Per Revenue %	Per Service revenue%	Per Service Revenue G%	Growth%
<b>GAAP Net Profit</b>	<b>121,076</b>	<b>5.4%</b>	<b>6.2%</b>	<b>-29,736</b>	<b>-1.9%</b>	<b>-2.2%</b>	<b>8.3%</b>	<b>NA</b>
+Loss in FV changes of p shares	37,287	1.7%	1.9%	145,197	9.1%	10.6%	-8.7%	-74.3%
+Impairment loss	68,982	3.1%	3.5%	-	-	-	NA	NA
+loss on deemed disposal of associates	105	0.0%	0.0%	-	-	-	NA	NA
-Gain from FV changes of contingent consideration payable	-71,718	-3.2%	-3.7%	-	-	-	NA	NA
<b>Non-GAAP Net Profit*</b>	<b>155,732</b>	<b>6.9%</b>	<b>7.9%</b>	<b>115,461</b>	<b>7.2%</b>	<b>8.4%</b>	<b>-0.5%</b>	<b>34.9%</b>
+Taxation	29,611	1.3%	1.5%	14,657	0.9%	1.1%	0.4%	102.0%
+Finance cost	23,898	1.1%	1.2%	8,102	0.5%	0.6%	0.6%	195.0%
+Depreciation	39,047	1.7%	2.0%	35,377	2.2%	2.6%	-0.6%	10.4%
+Amortization of intangible assets	47,514	2.1%	2.4%	29,889	1.9%	2.2%	0.2%	59.0%
-Share of result of associates	-2,618	-0.1%	-0.1%	-2,650	-0.2%	-0.2%	0.1%	-1.2%
<b>EBITDA</b>	<b>293,184</b>	<b>13.1%</b>	<b>15.0%</b>	<b>200,836</b>	<b>12.5%</b>	<b>14.6%</b>	<b>0.3%</b>	<b>46.0%</b>
+Share option expense	24,861	1.1%	1.3%	27,669	1.7%	2.0%	-0.7%	-10.1%
+Net foreign exchange loss (gain)	-12,082	-0.5%	-0.6%	-3,094	-0.2%	-0.2%	-0.4%	290.5%
+Allowance of doubtful debts	17,417	0.8%	0.9%	8,276	0.5%	0.6%	0.3%	110.5%
<b>Non-GAAP Operating Profit</b>	<b>323,380</b>	<b>14.4%</b>	<b>16.5%</b>	<b>233,687</b>	<b>14.6%</b>	<b>17.0%</b>	<b>-0.5%</b>	<b>38.4%</b>

\*Non-GAAP Net Profit represents net profit excluding the changes in fair value of redeemable convertible preferred shares, Impairment loss on goodwill, Gain arising from changes in fair value of contingent consideration payable on acquisition of business and Loss on deemed disposal of associates.

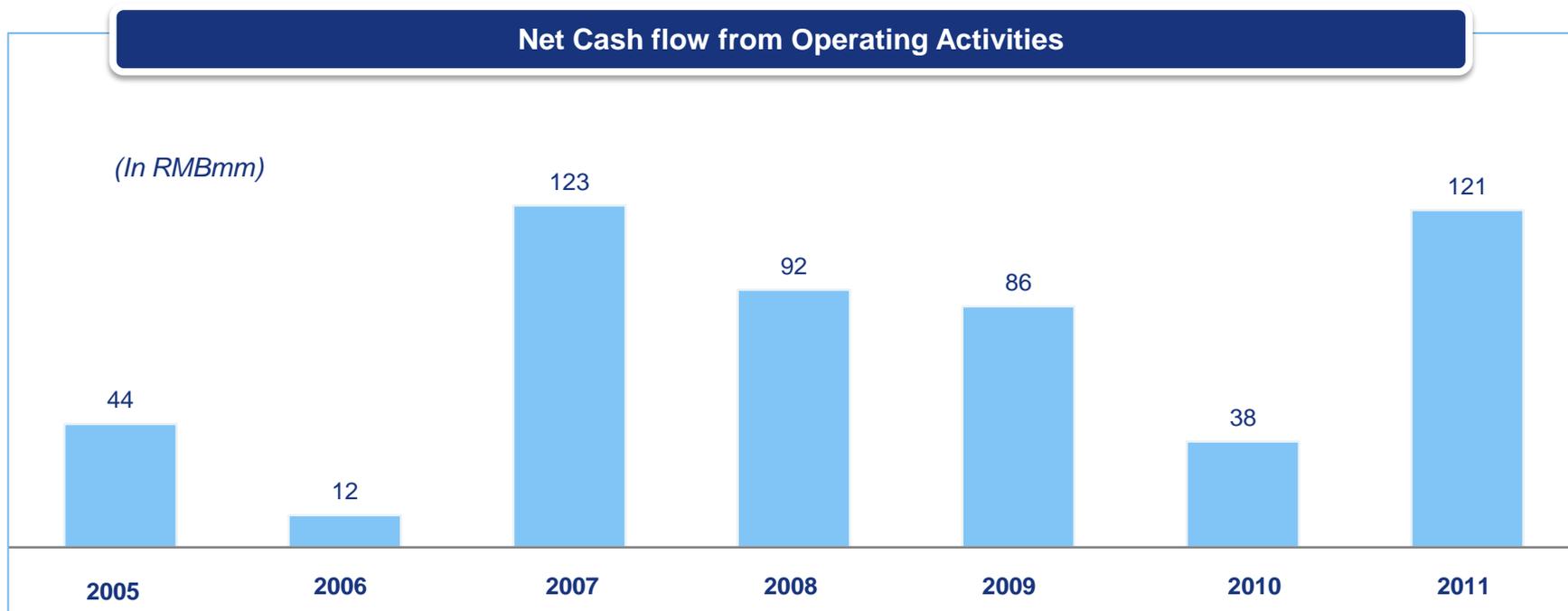


## Service Revenue by Contract Model

RMB'000	2011		2010		Growth
Fixed Price	1,000,427	51.0%	691,507	50.3%	44.7%
T&M	887,783	45.3%	620,560	45.2%	43.1%
Volume Base	71,675	3.7%	62,357	4.5%	14.9%
<b>Total</b>	<b>1,959,885</b>	<b>100%</b>	<b>1,374,424</b>	<b>100%</b>	<b>42.6%</b>



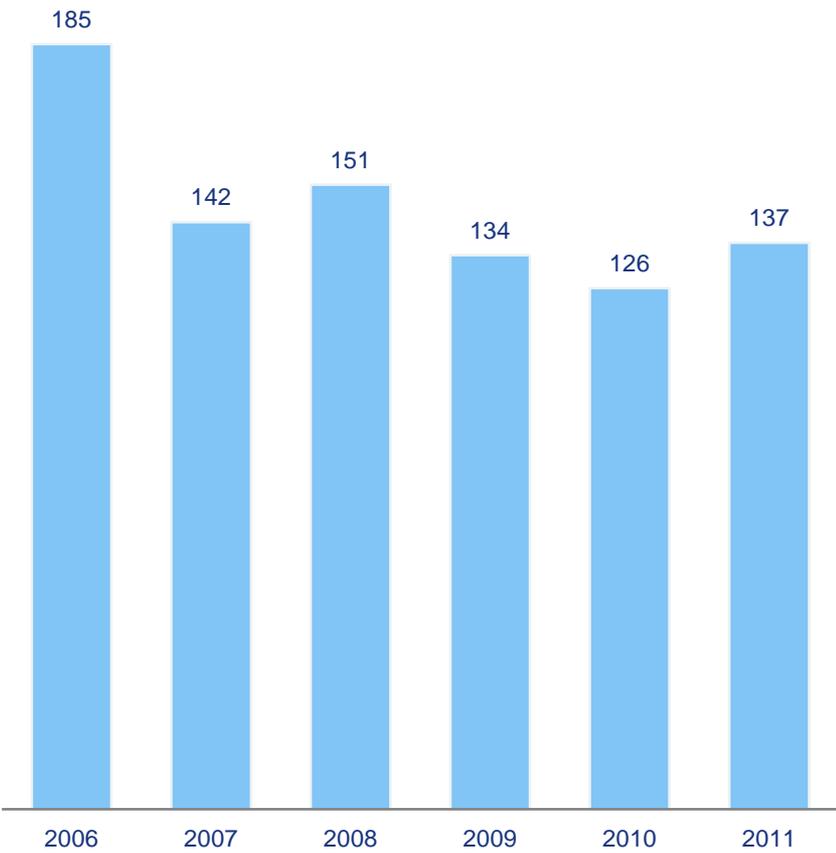
# Operating Cash flow



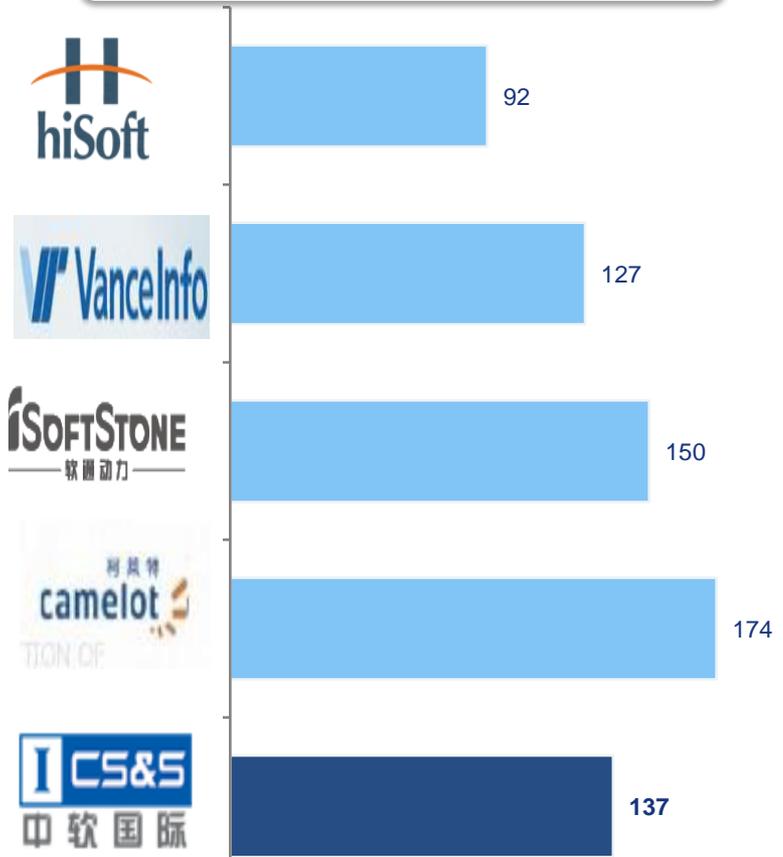


# Days Receivable Comparison with Peers

### Days Outstanding of AR



### Days of AR Comparison for 2011





## Aging Analysis of Accounts Receivables

RMB' 000	(Audited)	%	(Audited)	%	2011 versus 2010	
	31 Dec,2011		31 Dec,2010			
Within 90 days	483,793	48.2%	370,973	52.5%	112,820	30%
Between 91-180 days	80,316	8.0%	40,565	5.7%	39,751	98%
Between 181-365 days	39,804	4.0%	16,347	2.3%	23,457	143%
Between 1-2 years	30,293	3.0%	26,073	3.7%	4,220	16%
Over 2 years	5,728	0.6%	1,053	0.1%	4,675	444%
<b>Billed AR</b>	<b>639,934</b>	<b>63.8%</b>	<b>455,011</b>	<b>64.4%</b>	<b>184,923</b>	<b>41%</b>
<b>Unbilled AR</b>	<b>363,683</b>	<b>36.2%</b>	<b>251,278</b>	<b>35.6%</b>	<b>112,405</b>	<b>45%</b>
<b>Total AR</b>	<b>1,003,617</b>	<b>100%</b>	<b>706,289</b>	<b>100%</b>	<b>297,328</b>	<b>42%</b>