



ChinaSoft International (0354.HK)

2012 Interim Investor Presentation

August 2012



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Snapshot of ChinaSoft International

Service Offering (% of service revenue¹)

- Professional Services (47.3%)
- Outsourcing Services (49.6%)
- Training (3.1%)

Vertical Coverage (% of service revenue¹)

- Government & Manufacturing (24.3%)
- BFSI (16.0%)
- Public Services (7.2%)
- Telecommunications (28.6%)
- Technologies (17.5%)

Service Locations (% of service revenue¹)

- 21 cities in China (76.7%)
- US, UK, Japan and other (23.2%)

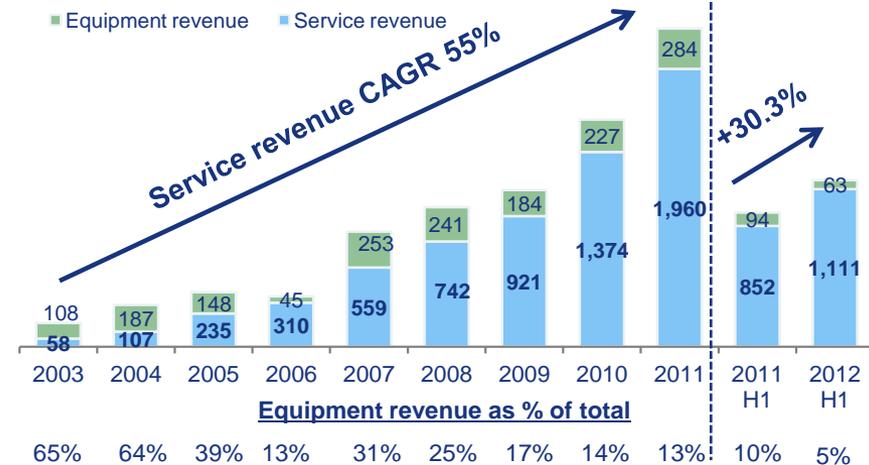
Headcount



Total Revenues

(In RMB mm)

■ Equipment revenue ■ Service revenue

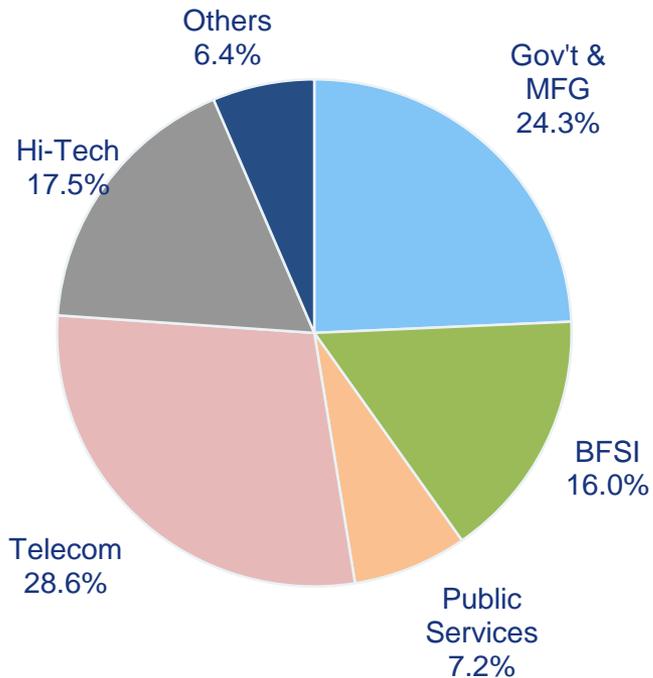


¹ For the six months ended 6/30/2012



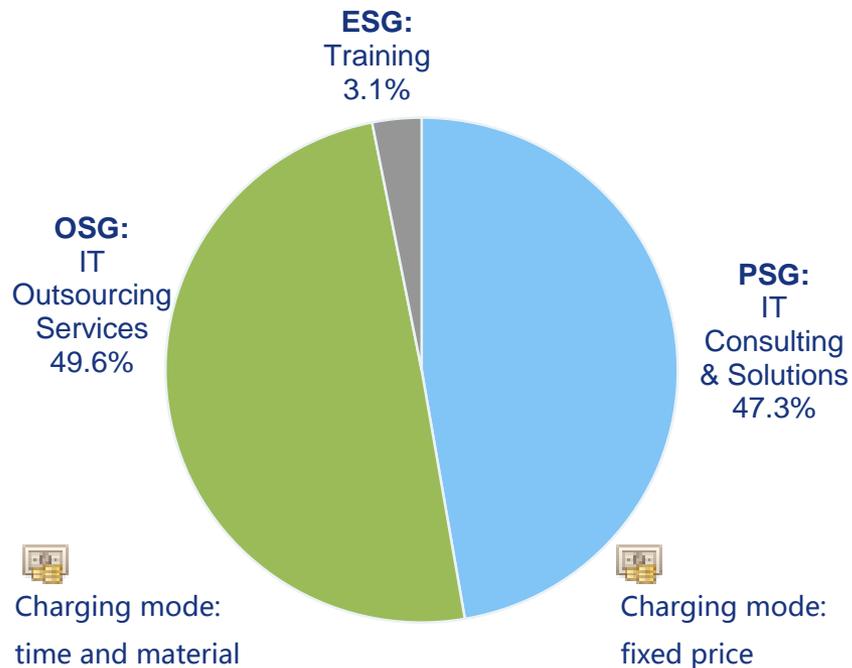
Business Distribution

Service Revenue by Industry Verticals



Total 2012H1 Service Revenue: RMB 1,111mm

Service Revenue by Service Type

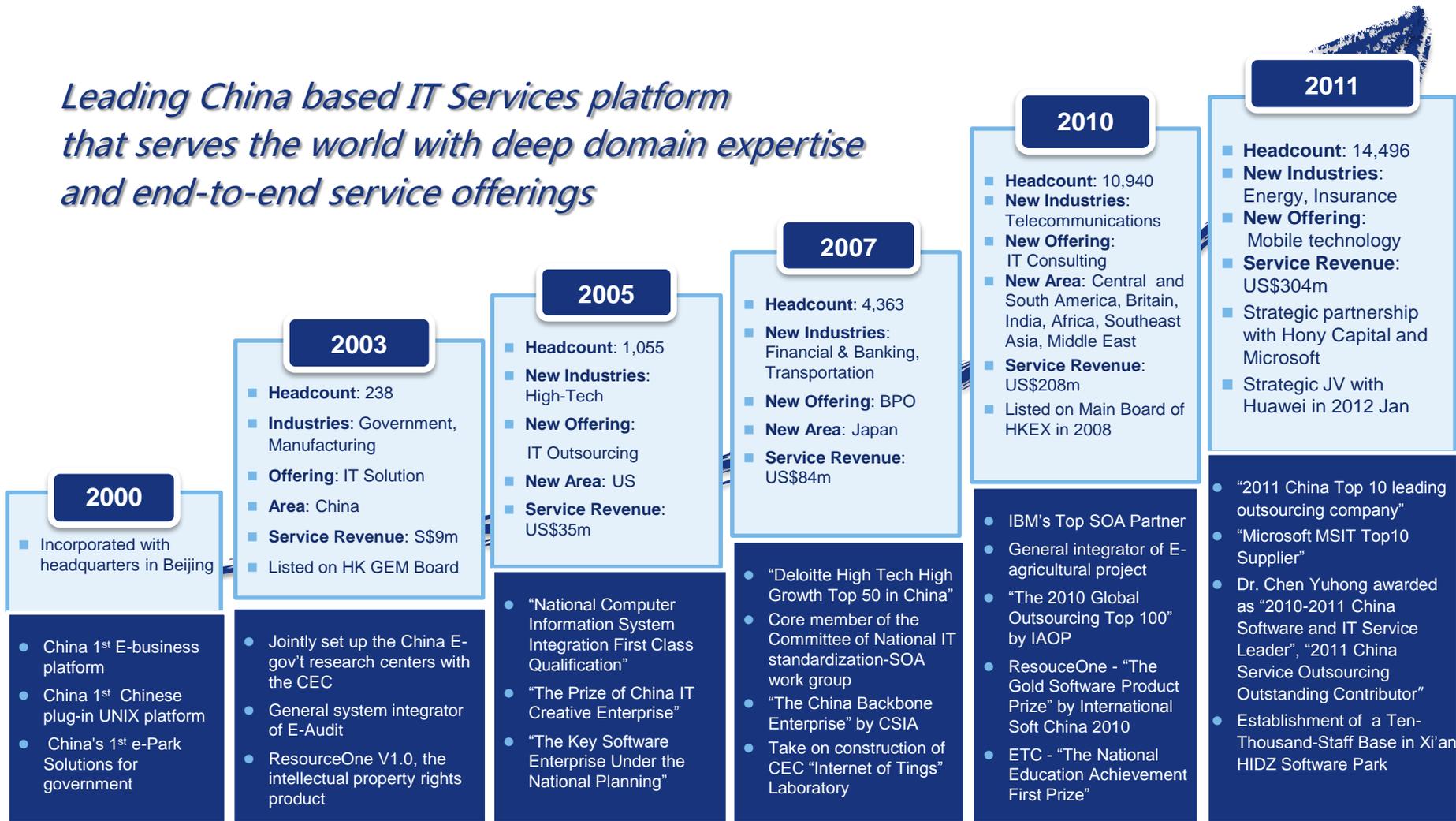


Total 2012H1 Service Revenue: RMB 1,111mm



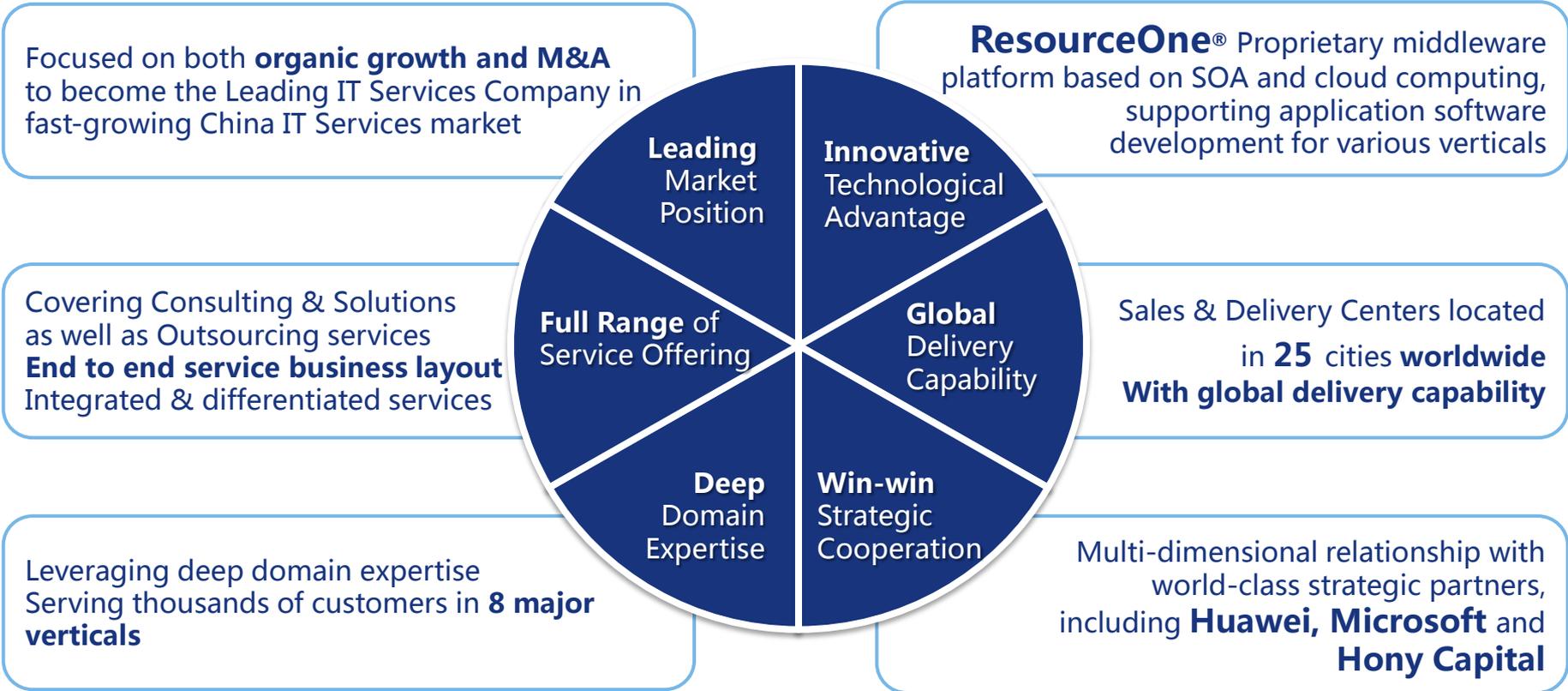
Business Development History

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





Core Strengths





Agenda

- 1 Company Background
- 2 2012 Interim Financial Highlights**
- 3 Business Review and Development
- 4 Looking Forward
- 5 Appendix



Financial Highlights

RMB'000	2012 H1	2011 H1	Growth%
Revenue	1,173,504	945,595	24.1%
Service Revenue	1,110,874	852,382	30.3%
Gross Profit	360,700	308,448	16.9%
EBITDA	141,776	127,262	11.4%
Profit for the Period	65,437	7,532*	768.8%
EPS (RMB cents)	3.65	0.54*	575.9%

* Profit for the period for 2011 included a charge relating to changes in fair value of redeemable convertible preferred shares; without this non-cash charge, the 2011 figure would have been RMB 60,589 million. On this more comparable basis, profit for the period for 2012 would have been 8.0% higher than that of the same period for 2011.

Key Financial and Operating Ratio

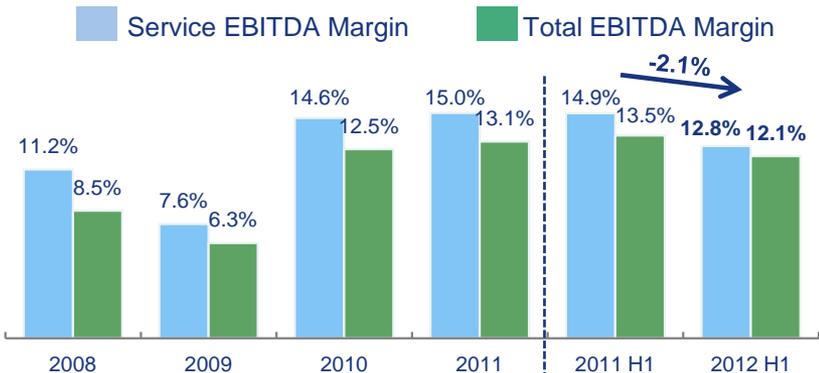
Gross Margin



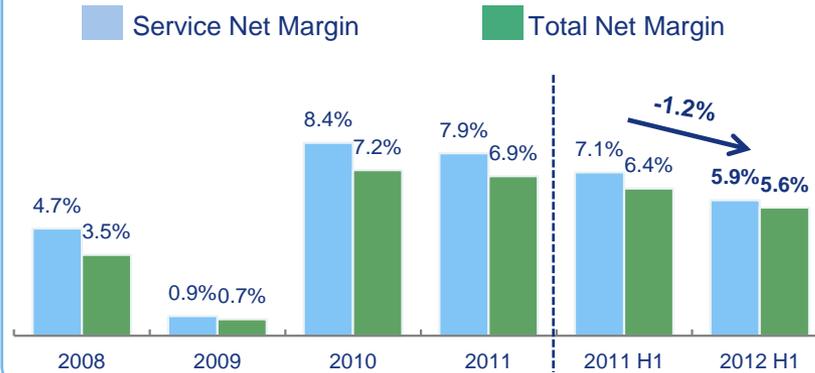
Business Contribution Profit Margin



EBITDA Margin



Non-GAAP Net Margin





Financial and Operating Ratio Analysis

RMB' 000	2012 H1	Per Revenue %	Per Service revenue%	2011 H1	Per Revenue %	Per Service revenue%	Per Service Revenue G%	Growth%
Revenue	1,173,504			945,595				24.1%
<i>Service Revenue</i>	1,110,874			852,382				30.3%
Cost of sales	812,804	69.3%		637,147	67.4%			27.6%
— <i>Salary Costs</i>	<i>576,977</i>	<i>49.2%</i>	<i>51.9%</i>	<i>406,222</i>	<i>43.0%</i>	<i>47.7%</i>	4.3%	42.0%
Gross Profit	360,700	30.7%	32.5%	308,448	32.6%	36.2%	-3.7%	16.9%
+Other Revenue	18,364	1.6%	1.7%	18,529	2.0%	2.2%	-0.5%	-0.9%
-Selling Expenses	65,242	5.6%	5.9%	64,654	6.8%	7.6%	-1.7%	0.9%
-Administration Expenses	193,283	16.5%	17.4%	150,689	15.9%	17.7%	-0.3%	28.3%
-Allowance for Doubtful Debt	172	0.01%	0.02%	1,880	0.2%	0.2%	-0.2%	-90.9%
-Amortization of intangible assets	23,826	2.0%	2.1%	24,766	2.6%	2.9%	-0.8%	-3.8%
-Finance Cost	14,260	1.2%	1.3%	10,572	1.1%	1.2%	0.0%	34.9%
+Share of result of associates	258	0.02%	0.02%	1,393	0.1%	0.2%	-0.1%	-81.5%
-Loss arising from P shares FV changes	-	-	-	53,057	5.6%	6.2%	NA	NA
Profit before taxation	82,539	7.0%	7.4%	22,752	2.4%	2.7%	4.8%	262.8%
-Taxation	17,102	1.5%	1.5%	15,220	1.6%	1.8%	-0.2%	12.4%
Profit for the Period	65,437	5.6%	5.9%	7,532	0.8%	0.9%	5.0%	768.8%



Customers Analysis

Top Customers Concentration



Customer Analysis

- For the 2012 H1, the service revenue from the **top 5 customers** accounted for **36.7%** of the Group's total service revenue.
- The service revenue from the **top 10 customers** accounted for **42.7%** of the Group's total service revenue.
- The Group had **727 active customers** in the first half of 2012, **156** of which were **new customers**.
- As of 30 June 2012, the Group had **56 customers** with service revenue of RMB6 million or more during the past four calendar quarters.



Agenda

1

Company Background

2

2012 Interim Financial Highlights

3

Business Review and Development

4

Looking Forward

5

Appendix



Business Review and Development

Professional Services Business (PSG)

Government	<ul style="list-style-type: none"> • Leading position as a service provider in the auditing industry, and move on to the Golden Auditing Project III in certain provinces. • Awarded the tender for Early Warning System for National Public Emergencies for China Meteorological Administration and for a trial city in northern China. • Started trial run for the Execution Permission and Approval Project of Environmental Protection Bureau in a province in Central China.
Manufacturing & Distribution	<ul style="list-style-type: none"> • Leading position for market share in the MES area, and was awarded the tender for MES system for a tobacco company. The MES System Project of a banknote printing company was well received after examination • Also awarded the 12th Five-Year IT Planning Project from a tobacco factory. • Awarded the Management Information System Project on Internal Control on Tobacco Monopoly of State Tobacco Monopoly Administration.
BFSI (Banking, Financial Services & Insurance)	<ul style="list-style-type: none"> • Executed contracts with Guangfa Bank, Ping An Bank and a dozen of urban commercial banks for financial IC Card. • Awarded the tender from and signed contracts with Pufa Bank and Minsheng Bank for key supply chain financial platform. • Signed a strategic cooperation agreement with a world-leading insurance core application software provider and jointly secured the implementation and service on core system projects from a number of clients. • Also signed a strategic framework agreement with a life insurance company in China and became strategic partners. • The Depository and Clearing Project of China Securities Depository & Clearing Corp. Ltd. Shanghai Branch successfully entered into the core business area in the securities industry.
Telecom	<ul style="list-style-type: none"> • Awarded the Mobile Business Travel Project of China Mobile. This product will also be promoted to public users. • Cooperated with a leading information and communication solution provider on product collaboration – mobile internet and communication-integrated platform.
Public Service	<ul style="list-style-type: none"> • Secured a contract for Automatic Fare Collection System for Bus Rapid Transit in a eastern coastal city, and acted as the integrator and core software provider of the project. • The core system/frontline system of a e-payment card operation company in a major city in Southeast China was successfully launched.
Energy	<ul style="list-style-type: none"> • Established cooperation with five major enterprises in electricity generation, electricity grid and oil field. • Signed cooperative agreements with two IT solution partners and jointly commenced overall design and development works for a dozen of projects.



Business Review and Development

Outsourcing Service Business (OSG)

- The **JV with Huawei** officially began and started operation.
- Awarded “**2011 Microsoft Preferred Supplier Program Excellence Awards—Value Excellence Award**” by Microsoft’s headquarter.
- Achieved the first rank in Sony Mobile’s business KPI assessment.
- **Provided comprehensive services to a top Chinese e-commerce enterprise.**
- Deepened the cooperation with a premier online travelling service company to establish **internet solution capability in the tourism vertical.**
- Conducted local test and engineering for an important product for a major IT product company.
- Provided 24*7 online technical support services for the cloud product of a client.
- **Expanded high-end BPO business** and Signed contract with Seven Bank of Japan in financial outsourcing business.

Training Business

- During the reporting period, the Group signed on with 9 additional colleges (accumulative total of 61), of which 9 institutes/professional colleges were jointly built (accumulative total of 43).
- The Group was one of the first elite batch of companies that were granted a jointly signed approval from 23 China government ministries and departments to build the “State-level Project Practice Education Center” with 18 colleges.
- Regarding the Internet of things and mobile internet, the Group constructed and jointly built laboratories, technology R&D centers with 11 colleges



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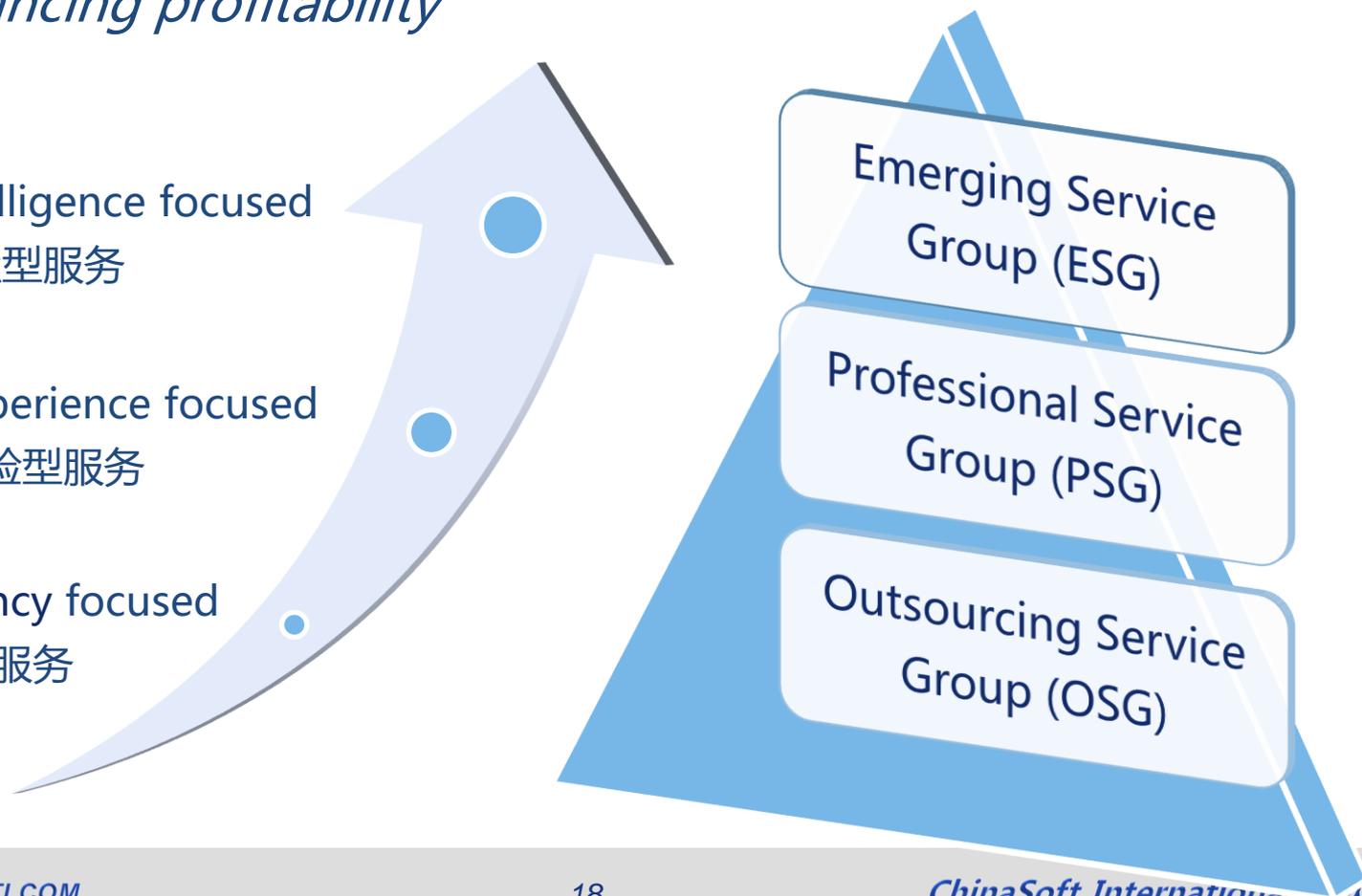
Moving Up the Value Chain

Strengthening core competitiveness
Moving up the value chain
Enhancing profitability

Intelligence focused
智慧型服务

Experience focused
经验型服务

Efficiency focused
效率型服务





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

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



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THANK YOU



Reconciliations of “Non-GAAP Net Profit” to “Business Contribution Profit”

RMB' 000	2012 H1	Per Revenue %	Per Service revenue %	2011 H1	Per Revenue %	Per Service revenue %	Per Service Revenue G%	Growth%
Non-GAAP Net Profit*	65,437	5.6%	5.9%	60,589	6.4%	7.1%	-1.2%	8.0%
+Taxation	17,102	1.5%	1.5%	15,220	1.6%	1.8%	-0.3%	12.4%
+Finance cost	14,260	1.2%	1.3%	10,572	1.1%	1.2%	0.1%	34.9%
+Depreciation	21,409	1.8%	1.9%	17,508	1.9%	2.1%	-0.2%	22.3%
+Amortization of intangible assets	23,826	2.0%	2.1%	24,766	2.6%	2.9%	-0.8%	-3.8%
-Share of result of associates	258	0.0%	0.0%	1,393	0.1%	0.2%	-0.2%	-81.5%
EBITDA	141,776	12.1%	12.8%	127,262	13.5%	14.9%	-2.1%	11.4%
+Share option expense	3,626	0.3%	0.3%	9,235	1.0%	1.1%	-0.8%	-60.7%
+Net foreign exchange loss (gain)	23	0.0%	0.0%	363	0.0%	0.0%	0.0%	-93.7%
+Allowance of doubtful debts	172	0.0%	0.0%	1,880	0.2%	0.2%	-0.2%	-90.9%
Business Contribution Profit**	145,597	12.4%	13.1%	138,740	14.7%	16.3%	-3.2%	4.9%

* Non-GAAP Net Profit represents net profit excluding the changes in fair value of redeemable convertible preferred shares.

** Business Contribution Profit represents EBITDA excluding share option expenses, net foreign exchange loss(gain) and allowance for doubtful debts.

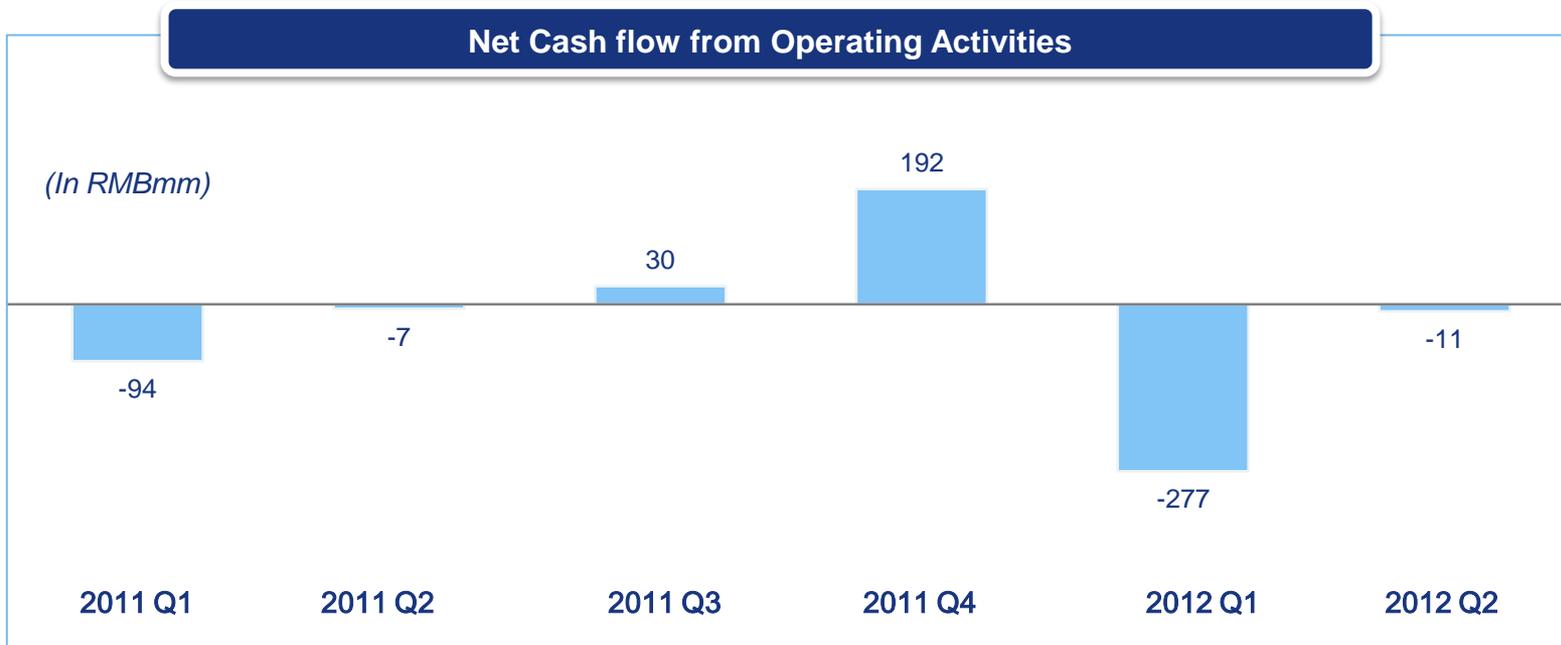


Service Revenue by Contract Model

RMB'000	2012 H1		2011 H1		Growth
Fixed Price	548,271	49.4%	422,101	49.5%	29.9%
T&M	511,412	46.0%	398,310	46.7%	28.4%
Volume Base	51,191	4.6%	31,971	3.8%	60.1%
Total	1,110,874	100.0%	852,382	100.0%	30.3%



Operating Cash flow





Aging Analysis of Accounts Receivables

RMB'000	(Unaudited)	%	(Audited)	%	2012 Jun versus 2011 Dec	
	30 Jun,2012		31 Dec,2011			
Within 90 days	556,275	42.8%	483,793	48.2%	72,482	15%
Between 91-180 days	138,341	10.6%	80,316	8.0%	58,025	72%
Between 181-365 days	132,555	10.2%	39,804	4.0%	92,751	233%
Between 1-2 years	38,441	3.0%	30,293	3.0%	8,148	27%
Over 2 years	9,500	0.7%	5,728	0.6%	3,772	66%
Billed AR	875,112	67.3%	639,934	63.8%	235,178	37%
Unbilled AR	425,700	32.7%	363,683	36.2%	62,017	17%
Total AR	1,300,812	100.0%	1,003,617	100.0%	297,195	30%



Balance Sheet

RMB'000	(Unaudited)	(Audited)
	30 Jun, 2012	31 Dec, 2011
Non-current assets		
Property, plant and equipment	136,104	131,456
Intangible assets	147,579	157,172
Goodwill	657,129	657,129
Interests in associates	25,809	25,551
Available-for-sale investment	25,035	25,000
Prepaid lease payments	418	469
Deferred tax assets	10,069	10,069
	1,002,143	1,006,846
Current assets		
Inventories	60,757	24,405
Trade and other receivables	1,029,551	760,648
Prepaid lease payments	153	178
Amounts due from associate	-	5,859
Amounts due from customers for contract work	425,700	363,683
Amount due from related companies	-	394
Pledged deposits	6,816	12,571
Bank balances and cash	521,814	772,950
	2,044,791	1,940,688

RMB'000	(Unaudited)	(Audited)
	30 Jun, 2012	31 Dec, 2011
Current liabilities		
Trade and other payables	545,636	613,149
Bills payable	10,018	21,525
Amounts due to customers for contract work	88,512	56,142
Amounts due to related companies	20	3,765
Dividend payable to shareholders	76	75
Taxation payable	23,114	29,849
Borrowings	186,200	165,600
Consideration payable on acquisition of business	-	-
	853,576	890,105
Net current assets	1,191,215	1,050,583
Total assets less current liabilities	2,193,358	2,057,429
Non-current liabilities		
Deferred tax liabilities	24,767	24,767
Borrowings	39,400	29,600
Consideration payable on acquisition of business	5,557	5,557
Convertible loan notes	196,673	193,820
	266,397	253,744
	1,926,961	1,803,685
Capital and reserves		
Share capital	78,963	77,879
Share premium	1,412,618	1,392,651
Reserves	311,662	255,142
Equity attributable to equity holders of the Company	1,803,243	1,725,672
Non-controlling interests	123,643	78,013
Total equity	1,926,886	1,803,685



Case Study: Government – The Nationwide Auditing Program

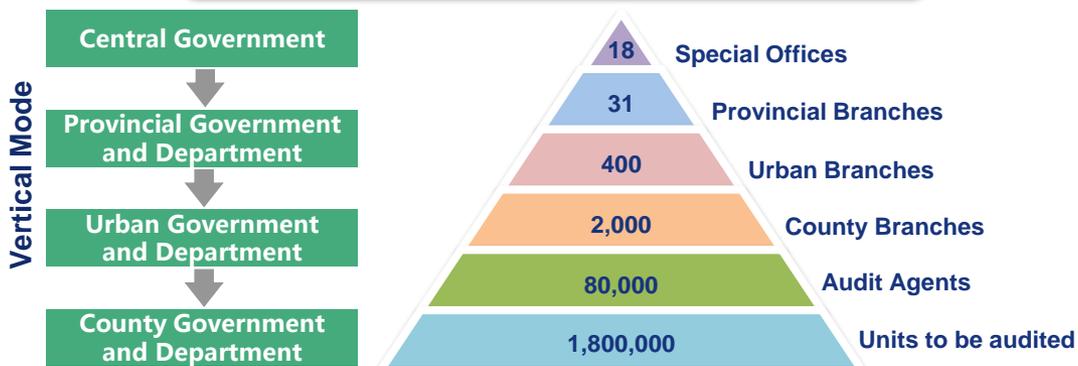
Our Position

- The only Strategic Partner
- Total solution provider
- Core application developer
- 11 Years of relationship

Achievements

- Implementation of national audit office system (80,000 on-site installation)
- Application expanded to finance, social security, enterprise internal audit and other extensive government audit industries

National Auditing Office



Vertical Characteristics

- Strong central policy setting and administration
- Dynamic requirements and strong needs for help
- Lack of trust in foreign suppliers, and long time needed in building trust with domestic suppliers
- Very loyal to existing partners

Capabilities

- Developing business and penetrating this vertical in government's centrally controlled environment
- Consulting-driven services
- Large-scale project management and implementation
- Standard and replicable technology platform
- Brand name building and recognition

Case Study: Manufacturing – Nationwide Tobacco Program

Our Position

- Only Strategic Partner
- 9 Years of relationship

Achievements

- Business & Decision System, Management Execution System, Logistics Execution System, Warehouse Management System, ERP, RFID, etc
- Nationwide service network: 31 capital cities and 60+ non-capital cities, 800+ organizations
- Complete industry workflow application, including agriculture, production, and sales & distribution
- 100% coverage of top 100 cigarettes brands
- Setting standards of the manufacturing system



Vertical Characteristics

- Diversified requirements from different operations
- Complicated system in workflow and geographic span
- Customer satisfaction is key in winning new business
- High barrier of entry to new players

Capabilities

- 3P model to grow business: Project → Program → Partnership
- Setting standard for the industry application
- Dominant platform as entry point for other vendors and applications (i.e., SAP, Oracle, IBM, Siemens, etc)



Case Study: Public Service – Smart Card Solution

Our Position

- Leading solution provider
- 9 Years of relationship
- No 1. Market share in one card pass solution nationwide, dominate in Beijing and Shanghai

Achievements

- Solution for public transportation in subway, bus, rental, parking, highway, as automatic fare collection (AFC) and one-ticket transfer
- Mobile payment and mobile wallet
- Serving over 100 million cards, in 25 cities
- Shanghai Subway: 11 lines, 245 stations and 6,500 gates. Daily average flow rate of 4.5 million people (support capacity of 16.3 million people). 40 million transaction data settled within 8 hours
- Solution successfully deployed for public transportation in Guatemala



Vertical Characteristics

- Many local requirements on technology
- Complicated interaction among different government bureaus
- Quick market expansion favoring the first mover

Capabilities

- Technology innovation
- Quick entry and penetration into new high growth market
- Leveraging various government agencies
- Exporting solutions to overseas market