

**ChinaSoft
International
(0354.HK)**

**2012 Annual Result
Conference Call**

April 2, 2013

变革
建设
超越

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Agenda

- 1 **Company Background**
- 2 2012 Annual Financial Highlights
- 3 Business Review and Development
- 4 Future Outlook
- 5 Appendix

Snapshot of ChinaSoft International

Service Offering
(% of service revenue¹)

- Professional Services (48.4%)
- Outsourcing Services (47.9%)
- Training (3.7%)

Vertical Coverage
(% of service revenue¹)

- Government & Manufacturing (24.2%)
- BFSI (17.3%)
- Public Services (9.4%)
- Telecommunications (28.6%)
- Technologies (16.0%)

Service Locations
(% of service revenue¹)

- 21 cities in China (77.5%)
- US, UK, Japan and other (22.5%)

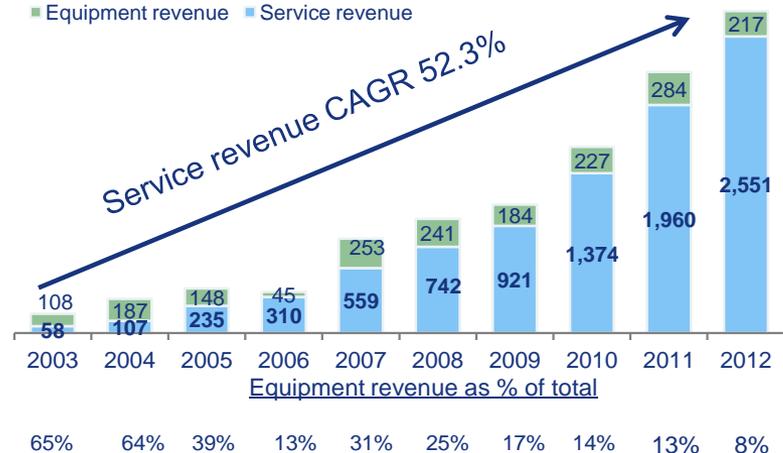
Headcount



Total Revenues

(In RMB mm)

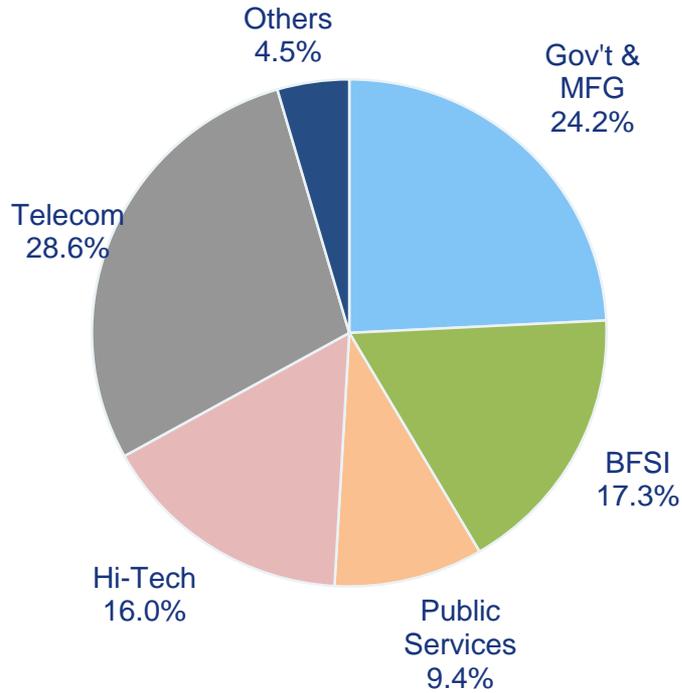
■ Equipment revenue ■ Service revenue



¹ For the 12 months ended 12/31/2012

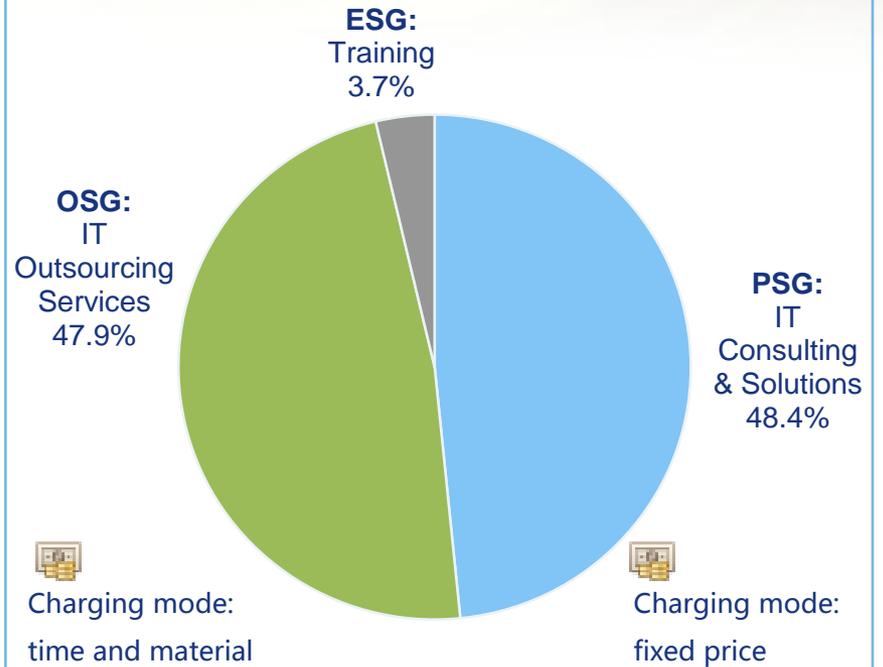
Business Distribution

Service Revenue by Industry Verticals



Total 2012 Service Revenue: RMB 2,551mm

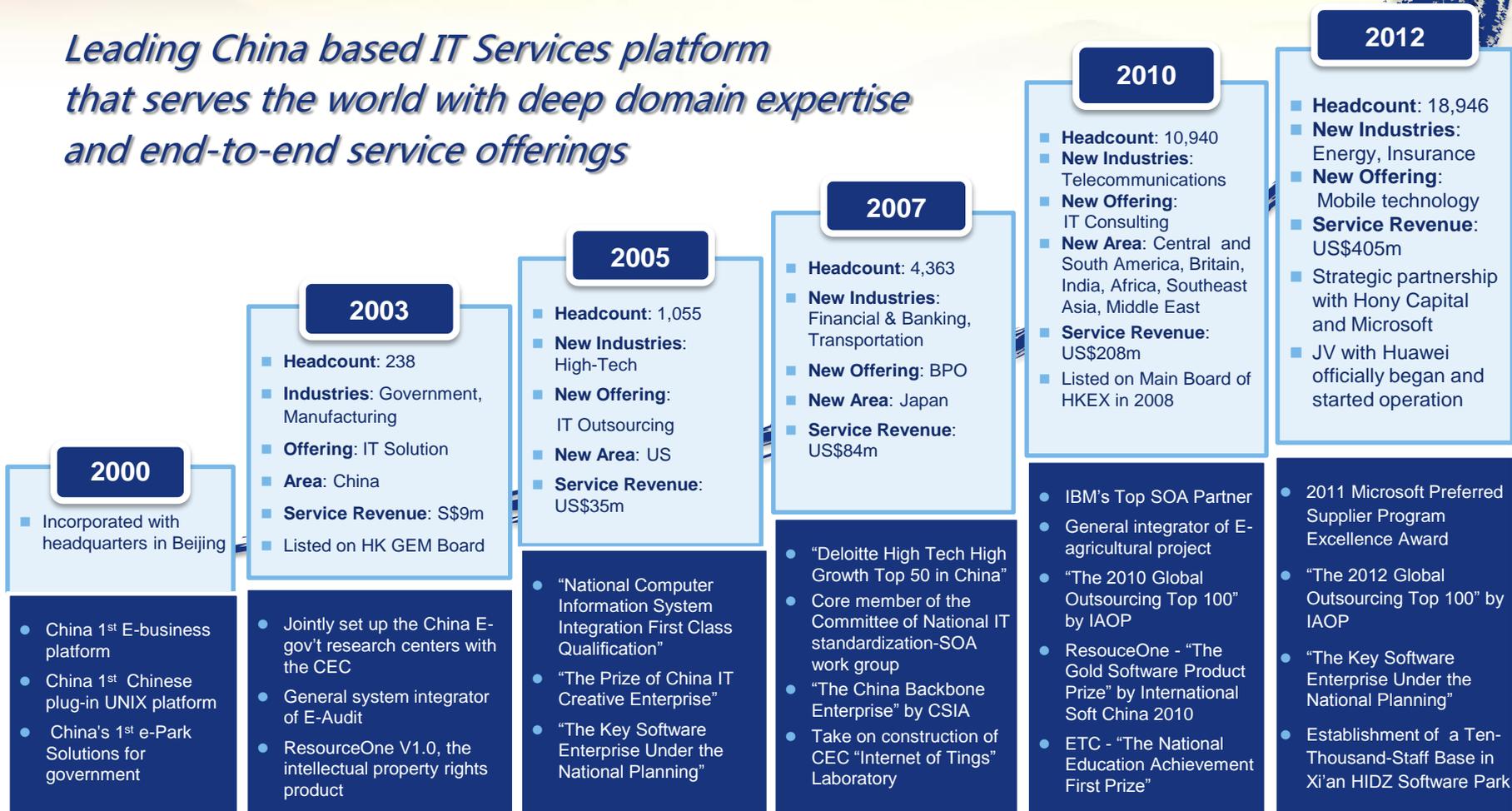
Service Revenue by Service Type



Total 2012 Service Revenue: RMB 2,551mm

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

Focused on both **organic growth and M&A** to become the Leading IT Services Company in fast-growing China IT Services market

Covering Consulting & Solutions as well as Outsourcing services
End to end service business layout
Integrated & differentiated services

Leveraging deep domain expertise
Serving thousands of customers in **8 major verticals**



ResourceOne® Proprietary middleware platform based on SOA and cloud computing, supporting application software development for various verticals

Sales & Delivery Centers located in **25** cities worldwide
With global delivery capability

Multi-dimensional relationship with world-class strategic partners, including **Huawei, Microsoft** and **Hony Capital**

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Key Financial and Operating Data

RMB'000	2012	2011	Growth%
Revenue	2,768,171	2,243,754	23.4%
Service Revenue	2,551,395	1,959,885	30.2%
Gross Profit	915,341	729,491	25.5%
EBITDA*	328,838	293,184	12.2%
Non-GAAP Operating Profit**	293,805	281,686	4.3%
Profit for the Year	150,142	121,076	24.0%
Net Profit attributable to Equity Shareholders	133,189	110,594	20.4%
Non-GAAP Net Profit attributable to Equity Shareholders*	155,686	145,250	7.2%
Non-GAAP Basic EPS* (RMB cents)	9.34	10.76	-13.2%
Non-GAAP Diluted EPS* (RMB cents)	9.04	9.93	-9.0%

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

** Excluding share option expenses and amortization of intangible expenses.

Key Financial and Operating Ratio

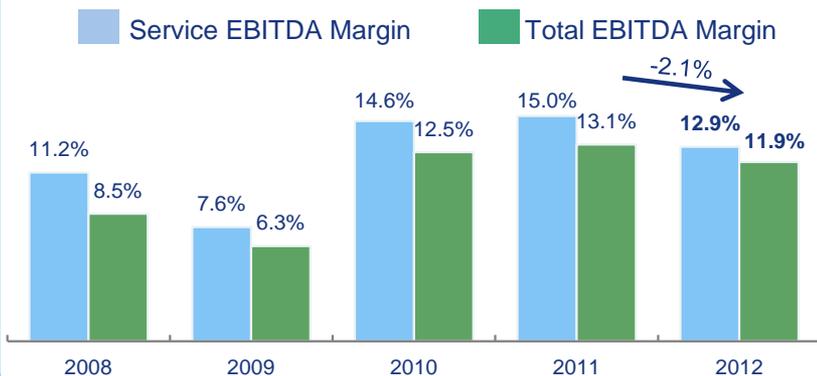
Gross Margin



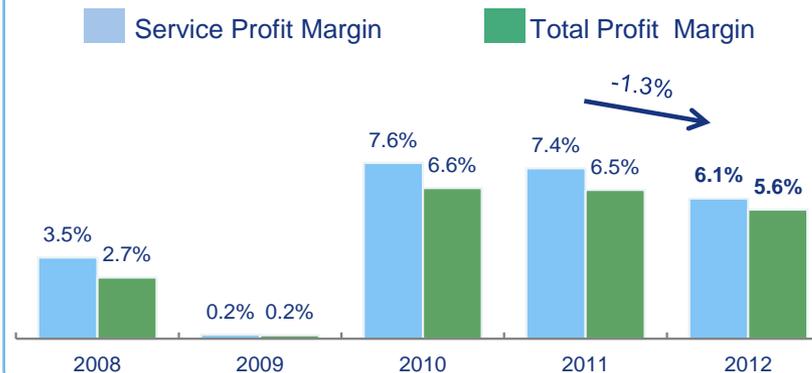
Business Contribution Profit Margin



EBITDA Margin



Non-GAAP Net Margin



Financial and Operating Ratio Analysis

RMB' 000	2012	Per Revenue%	Per Service revenue%	2011	Per Revenue%	Per Service revenue%	Growth%
Revenue	2,768,171			2,243,754			23.4%
<i>Service Revenue</i>	<i>2,551,395</i>	<i>92.2%</i>		<i>1,959,885</i>	<i>87.3%</i>		<i>30.2%</i>
Cost of sales	(1,852,830)	-66.9%	-72.6%	(1,514,263)	-67.5%	-77.3%	22.4%
— <i>Salary Costs</i>	<i>(1,314,209)</i>	<i>-47.5%</i>	<i>-51.5%</i>	<i>-971,942</i>	<i>-43.3%</i>	<i>-49.6%</i>	<i>35.2%</i>
Gross Profit	915,341	33.1%	35.9%	729,491	32.5%	37.2%	25.5%
Other Income	55,235	2.0%	2.2%	46,036	2.1%	2.3%	20.0%
Selling Expenses	(160,692)	-5.8%	-6.3%	(148,706)	-6.6%	-7.6%	8.1%
Administration Expenses	(454,761)	-16.4%	-17.8%	(309,278)	-13.8%	-15.8%	47.0%
R&D cost expensed	(57,055)	-2.1%	-2.2%	(45,989)	-2.0%	-2.3%	24.1%
Allowance for Doubtful Debt	(15,807)	-0.6%	-0.6%	(17,417)	-0.8%	-0.9%	-9.2%
Amortization	(42,967)	-1.6%	-1.7%	(47,514)	-2.1%	-2.4%	-9.6%
Gain from FV changes of contingent consideration payable	5,557	0.2%	0.2%	71,718	3.2%	3.7%	-92.3%
Impairment loss on goodwill	(28,054)	-1.0%	-1.1%	(68,982)	-3.1%	-3.5%	-59.3%
Finance Cost	(31,111)	-1.1%	-1.2%	(23,898)	-1.1%	-1.2%	30.2%
Share of result of associates	2,030	0.1%	0.1%	2,618	0.1%	0.1%	-22.5%
Loss arising from P shares FV changes	-	0.0%	0.0%	(37,287)	-1.7%	-1.9%	-100.0%
Profit before taxation	187,716	6.8%	7.4%	150,687	6.7%	7.7%	24.6%
Taxation	(37,574)	-1.4%	-1.5%	(29,611)	-1.3%	-1.5%	26.9%
Profit for the Year	150,142	5.4%	5.9%	121,076	5.4%	6.2%	24.0%

Segment Revenues

RMB'000	Revenue			Service Revenue		
	2012	2011	Growth	2012	2011	Growth
Professional Services Business (PSG)	1,452,782	1,214,957	19.6%	1,236,006	931,088	32.7%
Outsourcing Services Business (OSG)	1,221,800	959,458	27.3%	1,221,800	959,458	27.3%
Training Business	93,589	69,339	35.0%	93,589	69,339	35.0%
Total	2,768,171	2,243,754	23.4%	2,551,395	1,959,885	30.2%

Customers Analysis

Top Customers Concentration



Customer Analysis

- For the 2012, the service revenue from the **top 5 customers** accounted for **38.5%** of the Group's total service revenue, slightly better than 2011's 38.4%.
- For the 2012, the service revenue from the **top 10 customers** accounted for **43.6%** of the Group's total service revenue, again slightly more diversified than 2011's 43.7%.
- The Group had **995 active customers** for 2012 compared to 855 in 2011, of which **402** were **new customers** compared to 320 in 2011.
- For 2012, CSI had **61** major customers each generating annual service revenue of more than RMB6 million, this is also better than 2011's 58.

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Business Review and Development

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"> • Signed a strategic cooperation agreement with AliCloud to jointly develop PaaS platform, by which both parties will work together to embed R1 products (including FramePortal, SOA Suite and BizFoundation) in Ali OS, and will provide Java-based development services and cloud-based SOA services. • Through CCTV5+ project, the mutual development based cooperation with AliCloud was accomplished; by providing the development services for client terminals with Android system for Juhuasuan (聚划算), the Group started the cooperation in meaningful scale with Ali. • Awarded the Mobile Business Travel Project and “Wireless City Service System Project” of China Mobile.
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.
Electricity Power	<ul style="list-style-type: none"> • Engaged in the projects including system development, system implementation and application operation and maintenance of State Grid Corporation and a number of its grid companies at provincial level. • Completed the acquisition of the electric power information service business serving the State Grid.

Business Review and Development

Outsourcing Service Business (OSG)

- The **JV with Huawei** officially began and started operation, achieved stable growth in performance, and the synergy effects of the joint venture has started to emerge.
- Awarded “**2011 Microsoft Preferred Supplier Program Excellence Awards—Value Excellence Award**” by Microsoft’s headquarter. **Secured another framework contract with Microsoft for a term of three years.**
- 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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Growth Strategies

Strategic Relationships

- Identify industry sectors with **native** and dominating customer (tobacco, electricity)
- Forge strong strategic relationships with this customer, first through projects, then programs and finally partnership (3P); goal: become the IT service arm of client
- Acquire smaller competitors to consolidate around this customer

Expand Current Business

- For large verticals such as Banking and Mobile technology, aggressively leverage current PSG business to expand to OSG business, and vice-a-versa, aiming to achieve end-to-end value chain for customer, thus achieving higher quality of service and increasing customer stickiness. We intend to grow existing business at 30% p.a.

Effectively use of M&A

- M&A to provide additional 15% to 20% p.a. growth in the following way:
 - Consolidate smaller competitors around strategic customers
 - Buy service capability: IP-analytic applications, Cloud PaaS: CEAP & CEIP, Utility model for application
 - Extend regional reach in 1) US (MS Cloud Integrator BigBigger , 2) Internationally via Huawei

SMAC

- Stay atop in the world of Social networking, Mobile, Analytics and Cloud technologies.
- Form partnerships and JVs with world-class new technology players; Be part of the new technology paradigm (Alibaba Cloud, Wireless City with China Mobile)

Growth via Acquisition

Growth by acquisition has been, and will continue to be, a significant part of ChinaSoft International's growth strategy.

We typically acquire to 1) expand presence in a specific industry sector (around a strategic customer) or 2) obtain new service capability or 3) expand regional reach.

Current M&A Policy and Target Guidelines:

- ❑ **High Growth:** Target should be growing at > 30% per year (revenue)
- ❑ **Appropriate Size:** Target is < 13% of CSI in terms of business volume
- ❑ **Sector penetration acquisitions** will depend on strategic customer needs (3p- Project, Program, Partner)
- ❑ **Service capability acquisitions** will center around proprietary technology
- ❑ **High-end service and software acquisitions** will be based on expansion of business model

Moving Up the Value Chain

Strengthening core competitiveness
Moving up the value chain
Enhancing profitability

Intelligence focused
(Analytics, BI)
智慧型服务

Experience focused
经验型服务

Efficiency focused
效率型服务



变革

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成就

THANK YOU

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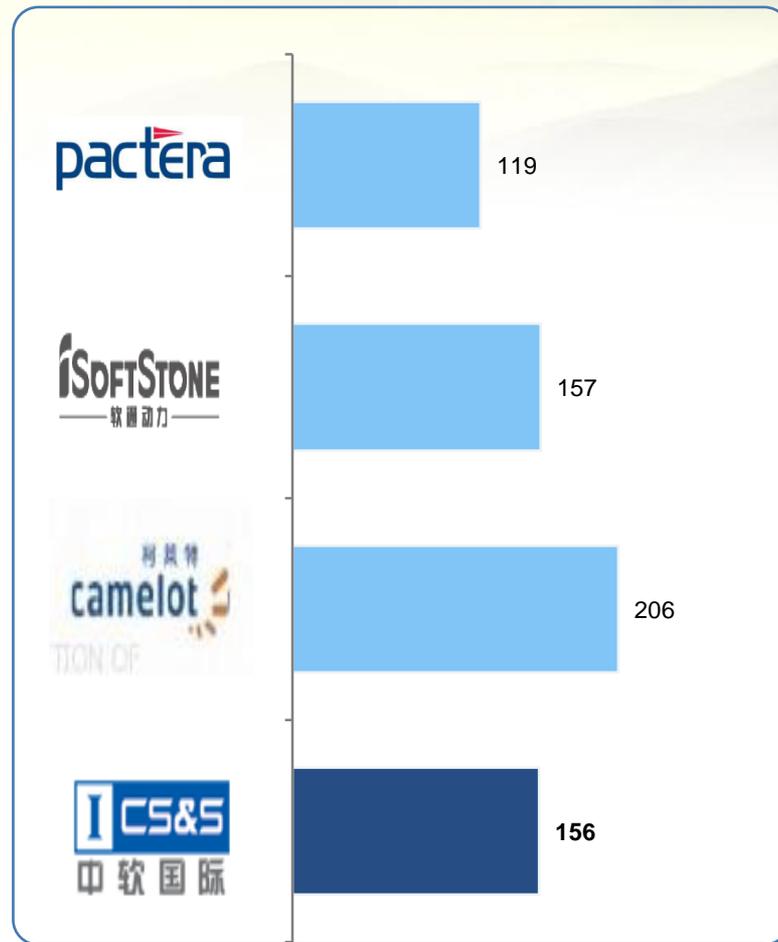
Email ir@chinasofti.com

Reconciliations of "GAAP Profit for the Year" to "Business Contribution Profit"

RMB' 000	2012	Per Revenue %	Per Service revenue%	2011	Per Revenue %	Per Service revenue%	Growth%
Profit for the Year	150,142	5.4%	5.9%	121,076	5.4%	6.2%	24.0%
Adjustment:							
+Loss in FV changes of p shares	0	0.0%	0.0%	37,287	1.7%	1.9%	-100.0%
+Impairment loss	28,054	1.0%	1.1%	68,982	3.1%	3.5%	-59.3%
+loss on deemed disposal of associates	0	0.0%	0.0%	105	0.0%	0.0%	-100.0%
-Gain from FV changes of contingent consideration payable	-5,557	-0.2%	-0.2%	-71,718	-3.2%	-3.7%	-92.3%
Non-GAAP Profit for the Year*	172,639	6.2%	6.8%	155,732	6.9%	7.9%	10.9%
+Taxation	37,574	1.4%	1.5%	29,611	1.3%	1.5%	26.9%
+Finance cost	31,111	1.1%	1.2%	23,898	1.1%	1.2%	30.2%
+Depreciation	42,967	1.6%	1.7%	39,047	1.7%	2.0%	10.0%
+Amortization of intangible assets	46,577	1.7%	1.8%	47,514	2.1%	2.4%	-2.0%
-Share of result of associates	-2,030	-0.1%	-0.1%	-2,618	-0.1%	-0.1%	-22.5%
EBITDA	328,838	11.9%	12.9%	293,184	13.1%	15.0%	12.2%
+Share option expense	11,544	0.4%	0.5%	24,861	1.1%	1.3%	-53.6%
+Net foreign exchange loss (gain)	72	0.0%	0.0%	-12,082	-0.5%	-0.6%	-100.6%
+Allowance of doubtful debts	15,807	0.6%	0.6%	17,417	0.8%	0.9%	-9.2%
Business Contribution Profit	356,261	12.9%	14.0%	323,380	14.4%	16.5%	10.2%

*Non-GAAP Profit represents profit for the year 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.

Days Receivable Comparison with Peers



Aging Analysis of Accounts Receivables

RMB'000	(Audited)	%	(Audited)	%	2012 versus 2011	
	31 Dec,2012		31 Dec,2011			
Within 90 days	601,133	43%	483,793	48%	117,340	24%
Between 91-180 days	116,221	8%	80,316	8%	35,905	45%
Between 181-365 days	54,822	4%	39,804	4%	15,018	38%
Between 1-2 years	56,828	4%	30,293	3%	26,535	88%
Over 2 years	805	0%	5,728	1%	-4,923	-86%
Billed AR	829,809	60%	639,934	64%	189,875	30%
Unbilled AR	561,359	40%	363,683	36%	197,676	54%
Total AR	1,391,168	100%	1,003,617	100%	387,551	39%

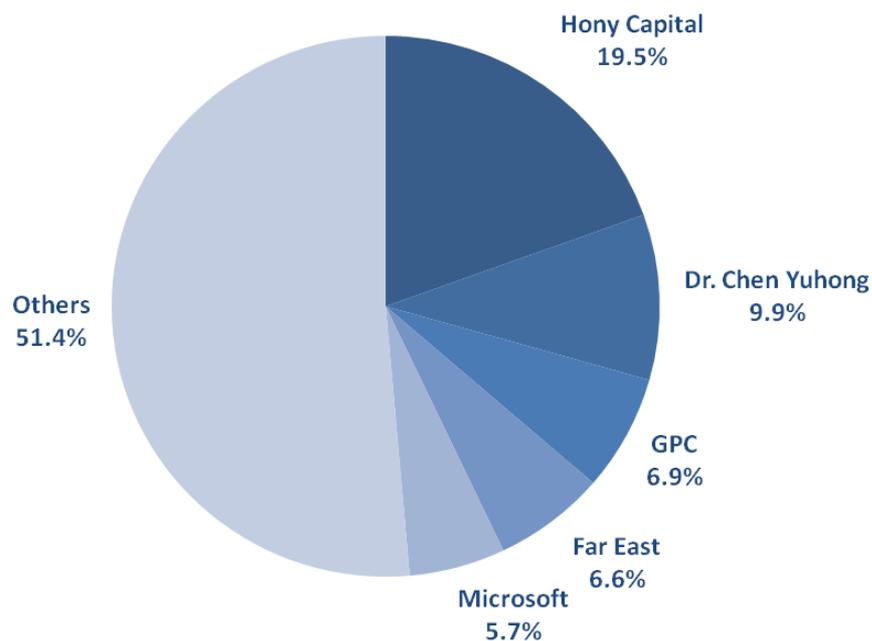
Balance Sheet

RMB' 000	(Audited)	(Audited)
	31 Dec, 2012	31 Dec, 2011
Non-current assets		
Property, plant and equipment	132,853	131,456
Intangible assets	159,330	157,172
Goodwill	629,075	657,129
Interests in associates	27,616	25,551
Available-for-sale investment	25,000	25,000
Prepaid trademark use right payments	42,477	469
Deferred tax assets	10,515	10,069
	1,026,866	1,006,846
Current assets		
Inventories	23,989	24,405
Trade and other receivables	1,039,396	760,648
Prepaid lease payments	1,038	178
Amounts due from associate	10,182	5,859
Amounts due from customers for contract work	561,359	363,683
Amount due from related companies	205	394
Pledged deposits	4,468	12,571
Bank balances and cash	774,847	772,950
	2,415,484	1,940,688

RMB' 000	(Audited)	(Audited)
	31 Dec, 2012	31 Dec, 2011
Current liabilities		
Trade and other payables	668,918	613,149
Bills payable	7,071	21,525
Amounts due to customers for contract work	110,506	56,142
Amounts due to related companies	9196	3,765
Dividend payable to shareholders	75	75
Taxation payable	39,312	29,849
Borrowings	309,300	165,600
Convertible loan notes	199,087	-
	1,343,465	890,105
Net current assets	1,072,019	1,050,583
Total assets less current liabilities	2,098,885	2,057,429
Non-current liabilities		
Deferred tax liabilities	17,602	24,767
Borrowings	19,000	29,600
Consideration payable on acquisition of business	-	5,557
Convertible loan notes	-	193,820
	36,602	253,744
	2,062,283	1,803,685
Capital and reserves		
Share capital	81,804	77,879
Share premium	1,466,006	1,392,651
Reserves	379,814	255,142
Equity attributable to equity holders of the Company	1,927,624	1,725,672
Non-controlling interests	134,659	78,013
Total equity	2,062,283	1,803,685

Shareholdings Structure

Shareholdings Structure



* As at the end of 2012 Dec

As of 2012 Dec. 31	No. of Shares	% of Ordinary Shares
Hony Capital	335,076,453	19.5%
Dr. Chen Yuhong	170,230,136	9.9%
Greater Pacific Capital	119,268,639	6.9%
Far East Holdings International	113,399,822	6.6%
Microsoft	97,250,000	5.7%
Others	883,138,248	51.4%
Total	1,718,364,659	100.0%