

**ChinaSoft  
International  
(0354.HK)**

**2013 Interim Results  
Investor Presentation**

**August 2013**

变革  
建设  
超越

# Disclaimer

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# Agenda

- 1 **Company Background**
- 2 2013 Interim Financial Highlights
- 3 Business Review and Development
- 4 Growth Strategy
- 5 Appendix

# Snapshot of ChinaSoft International

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

- Professional Services (47.5%)
- Outsourcing Services (49.0%)
- Training (3.5%)

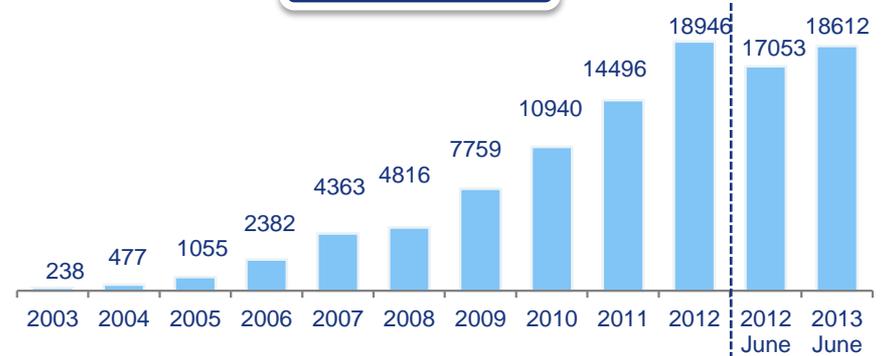
Vertical Coverage  
(% of service revenue<sup>1</sup>)

- Government & Manufacturing (18.9%)
- BFSI (20.5%)
- Public Services (5.4%)
- Telecommunications (26.5%)
- Technologies (24.1%)

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

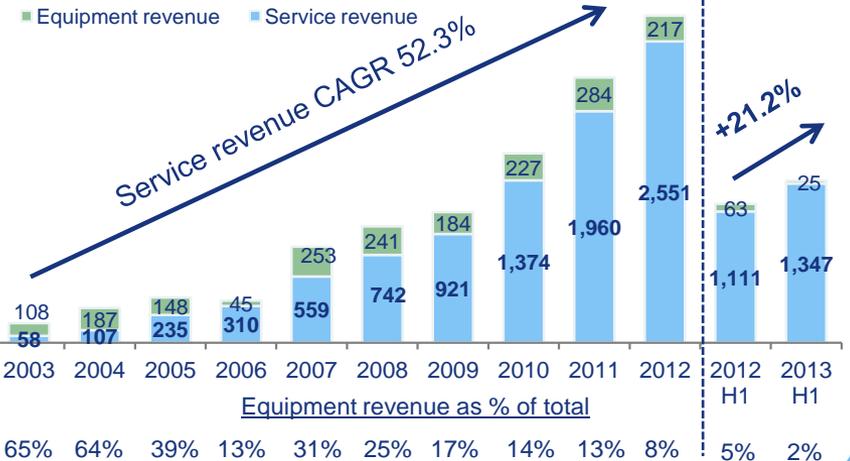
- 21 cities in China (81.1%)
- US, UK, Japan and other (18.9%)

## Headcount



## Total Revenues

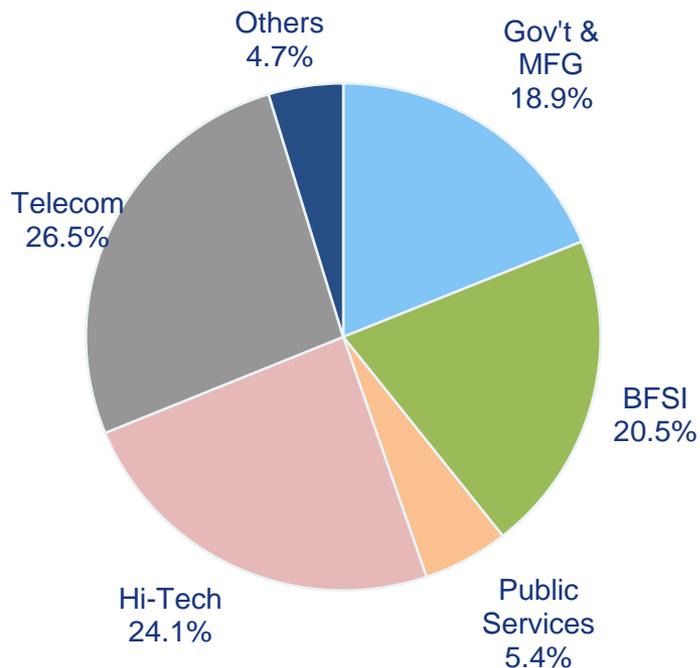
(In RMB mm)



<sup>1</sup> For the six months ended 6/30/2013

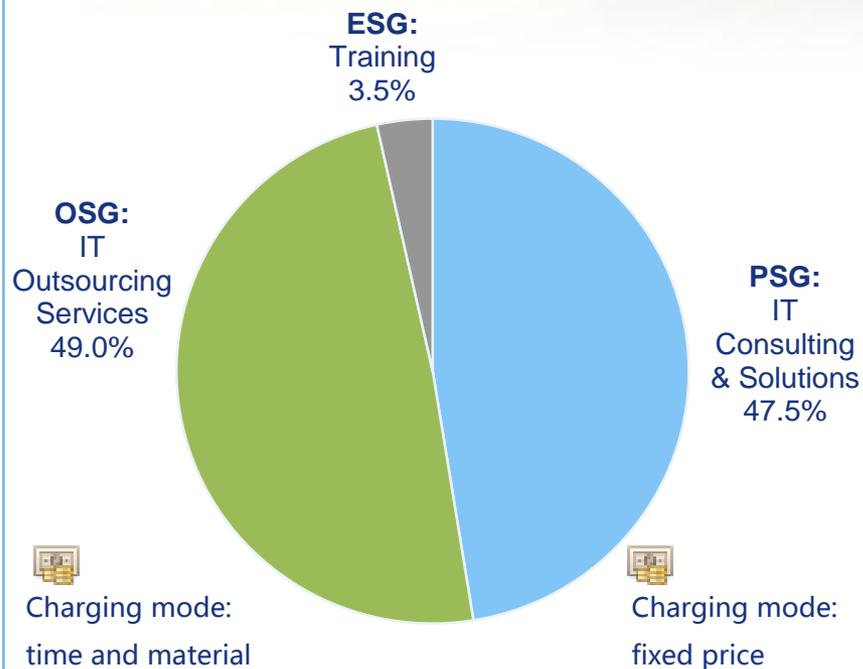
# Business Distribution

Service Revenue by Industry Verticals



Total 2013H1 Service Revenue: RMB 1,347mm

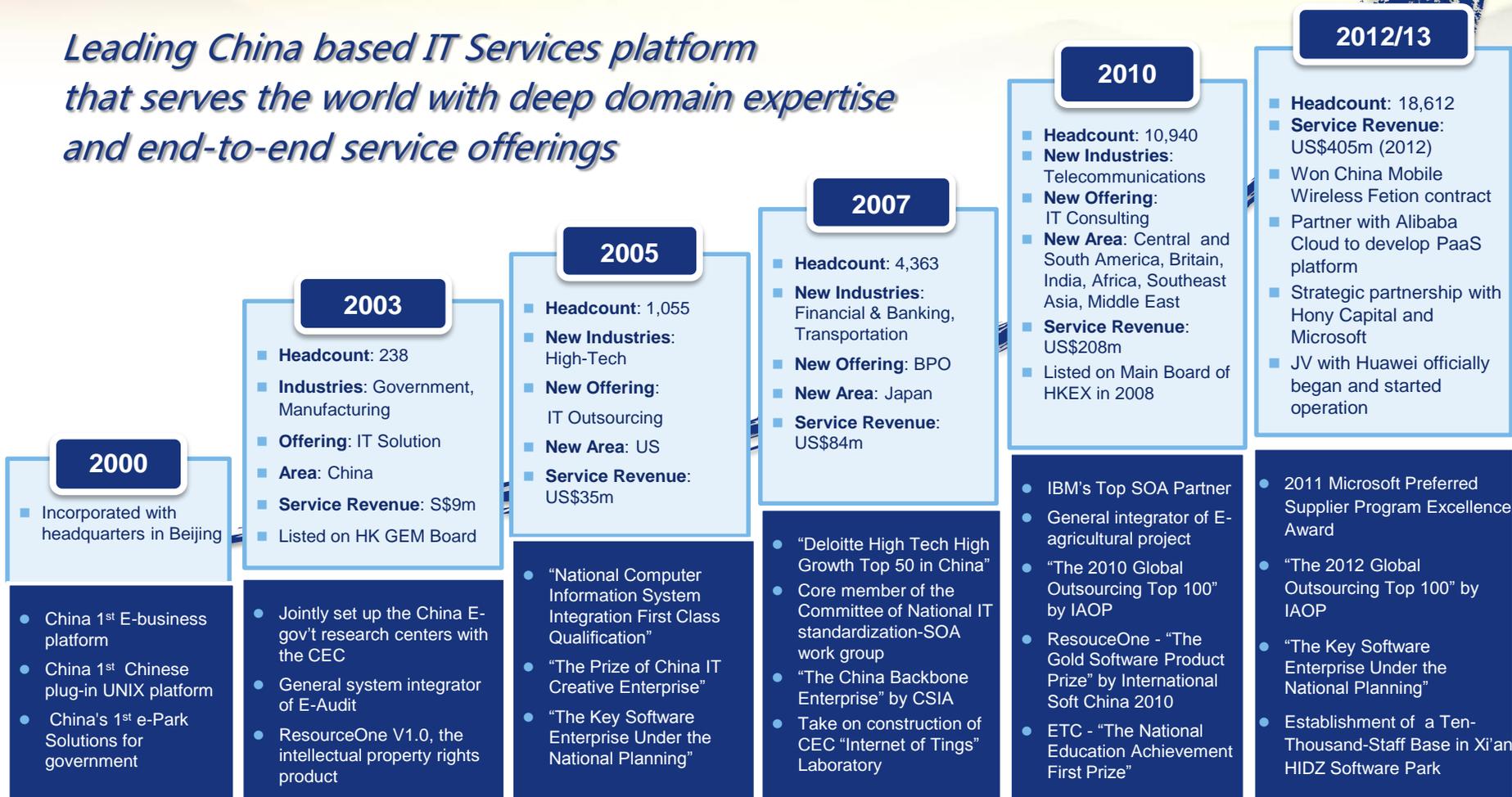
Service Revenue by Service Type



Total 2013H1 Service Revenue: RMB 1,347mm

# 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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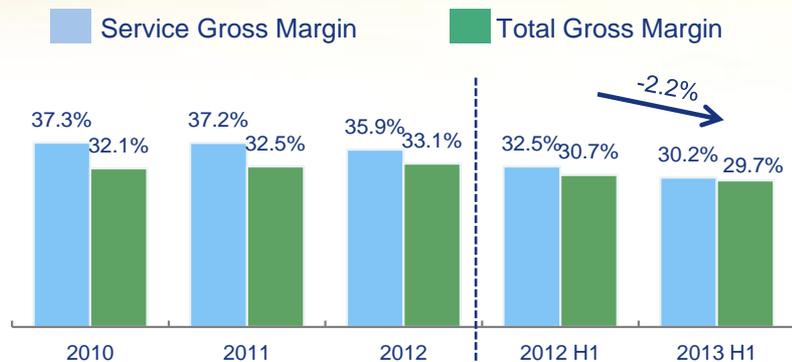
# Key Financial and Operating Data

RMB million	2013 H1	2012 H1	Growth%
Revenue	1,372	1,174	16.9%
<i>Service Revenue</i>	1,347	1,111	21.2%
Gross Profit	407	361	12.9%
EBITDA	157	142	10.5%
Business Contribution Profit*	159	146	9.2%
Profit for the Period	81	65	23.3%
<b>Net Profit attributable to Equity Shareholders</b>	<b>72</b>	<b>60</b>	<b>21.1%</b>
Basic EPS (RMB cents)	4.20	3.65	15.1%
<b>Diluted EPS (RMB cents)</b>	<b>4.15</b>	<b>3.48</b>	<b>19.3%</b>

\*Business contribution profit (EBITDA excluding share option expenses, foreign exchange gain or loss and provision for doubtful debts) is the true reflection of the business profitability.

# Key Financial and Operating Ratio

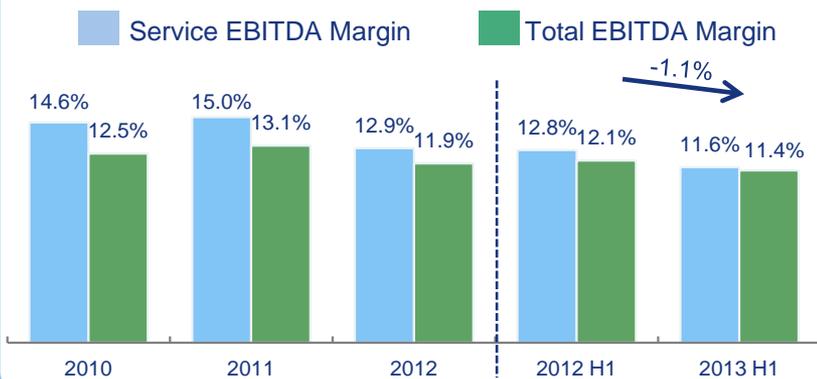
### Gross Margin



### Business Contribution Profit Margin



### EBITDA Margin



### Non-GAAP Net Margin



# Financial and Operating Ratio Analysis

RMB million	2013 H1	Per Revenue %	Per Service revenue %	2012 H1	Per Revenue %	Per Service revenue %	Growth%
Revenue	1,372			1,174			16.9%
<i>Service Revenue</i>	<i>1,347</i>	<i>98.2%</i>		<i>1,111</i>	<i>94.7%</i>		<i>21.2%</i>
Cost of sales	964	70.3%	71.6%	813	69.3%	73.2%	18.7%
—— <i>Salary Costs</i>	<i>767</i>	<i>55.9%</i>	<i>57.0%</i>	<i>598</i>	<i>51.0%</i>	<i>53.9%</i>	<i>28.2%</i>
<b>Gross Profit</b>	<b>407</b>	<b>29.7%</b>	<b>30.2%</b>	<b>361</b>	<b>30.7%</b>	<b>32.5%</b>	<b>12.9%</b>
Other Income	38	2.8%	2.8%	18	1.6%	1.7%	108.1%
Selling Expenses	79	5.8%	5.9%	65	5.6%	5.9%	21.6%
Administration Expenses	235	17.1%	17.5%	193	16.5%	17.4%	21.6%
Allowance for Doubtful Debt	(0.3)	0.0%	0.0%	0.2	0.0%	0.0%	N/A
Amortization	25	1.8%	1.9%	24	2.0%	2.1%	6.0%
Finance Cost	20	1.5%	1.5%	14	1.2%	1.3%	43.1%
Share of result of associates	0.5	0.0%	0.0%	0.3	0.0%	0.0%	91.1%
<b>Profit before taxation</b>	<b>86</b>	<b>6.3%</b>	<b>6.4%</b>	<b>83</b>	<b>7.0%</b>	<b>7.4%</b>	<b>4.4%</b>
Taxation	5	0.4%	0.4%	17	1.5%	1.5%	-68.0%
<b>Profit for the Period</b>	<b>81</b>	<b>5.9%</b>	<b>6.0%</b>	<b>65</b>	<b>5.6%</b>	<b>5.9%</b>	<b>23.3%</b>

# Segment Revenues

RMB million	Revenue			Service Revenue			Results*		
	2013 H1	2012 H1	Growth	2013 H1	2012 H1	Growth	2013 H1	2012 H1	Growth
Professional Services Business (PSG)	664.0	587.9	12.9%	639.1	525.3	21.7%	67.7	55.1	22.8%
Outsourcing Services Business (OSG)	660.6	551.1	19.9%	660.6	551.1	19.9%	50.8	61.6	-17.5%
Training Business	47.1	34.5	36.7%	47.1	34.5	36.7%	1.7	1.3	27.8%
<b>Total</b>	<b>1,371.7</b>	<b>1,173.5</b>	<b>16.9%</b>	<b>1,346.8</b>	<b>1,110.9</b>	<b>21.2%</b>	<b>120.2</b>	<b>118.0</b>	<b>1.8%</b>

\* Note: "Results" refer to the profit earned/loss incurred prior to distribution of impairment loss recognised on goodwill, corporate expenses, share-based payment and other income, gains and losses recorded at the Company level.

# Customers Analysis

## Top Customers Concentration



## Customer Analysis

- For the 2013 H1, the service revenue from the top 5 customers accounted for 39.5% of the Group's total service revenue.
- The service revenue from the top 10 customers accounted for 44.8% of the Group's total service revenue.
- The Group had 782 active customers in the 2013 H1, 198 of which were new customers.
- As of 30 June 2013, the Group had 65 customers with service revenue of RMB6 million or more during the past four calendar quarters.

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Government	<ul style="list-style-type: none"> <li>• Leading position as a service provider in the auditing industry, and captured first-mover advantages through completion of the local projects of <b>Golden Auditing Project III</b>.</li> <li>• Through close <b>cooperation with Alibaba Cloud</b>, became a cloud integration service provider for the <b>intelligent government administration cloud project</b> in Zhejiang Province.</li> </ul>
Manufacturing & Distribution	<ul style="list-style-type: none"> <li>• Won the bid for the <b>industry data centre project</b>, which was an important expansion of large data technology for traditional businesses.</li> <li>• Maintained market leading position in <b>MES sector</b>, and was awarded a number of projects including Hubei China Tobacco.</li> <li>• The "<b>Commercial Prepaid Card Platform of Suning</b>" undertaken by the Group was successfully launched.</li> <li>• Awarded <b>an information platform project for a large state-owned enterprise</b> and entered into a strategic cooperation agreement with a well-known mining group to develop <b>IT business for the mining industry</b>.</li> </ul>
BFSI (Banking, Financial Services & Insurance)	<ul style="list-style-type: none"> <li>• For <b>financial IC cards, payment and clearance as well as credit financing sectors</b>, the Group entered into agreements with a number of joint stock banks, city commercial banks and foreign banks.</li> <li>• Additionally, the Group won bids of and contracted with material customers including <b>HSBC Software</b>, and adopted a customized service model.</li> <li>• Contracted with a branch of a large state-owned property and casualty <b>insurance</b> company for an integrated <b>business intelligence (BI) platform project</b>, receiving further recognition in the business intelligence sector.</li> <li>• Successfully entered the <b>insurance e-commerce sector</b>, with the <b>C to B insurance e-commerce platform construction project</b> of a life-insurance company and the <b>insurance e-commerce data mining project</b> of a state-owned insurance company.</li> </ul>
Telecom	<ul style="list-style-type: none"> <li>• Won the bid for <b>wireless products of Fetion</b> business development and support services of China Mobile, to provide business construction and support for Mobile Fetion and Fetion HD products for China Mobile.</li> <li>• Through the <b>in-depth cooperations with Alibaba Group</b> in respect of cloud computing, data transfer, on-line expansion and mobile terminal development and tests, the collaboration of scale with Ali Group has stepped into a new stage.</li> </ul>
Public Service	<ul style="list-style-type: none"> <li>• Maintained a stable growth in respect of <b>city smart card</b>, and was awarded a project of a major city in Southern China.</li> <li>• Successfully contracted with a bank for a <b>PBOC2.0 upgrade project</b> for mobile subways.</li> <li>• Also contracted for a national unified payment platform for an operator, for a provincial integrated payment business platform for an operator, and a personal account project for e-commerce companies for an operator</li> <li>• Continued to seek for quality third party payment clients and worked with a super-large western city to engage in <b>billing and integrated payment handling business based on cloud computing</b>.</li> </ul>
Electricity Power	<ul style="list-style-type: none"> <li>• <b>Completed the acquisition</b> and integration of Along Grid, achieving significant progress in the <b>electric power marketing business</b>.</li> <li>• In the <b>electric power materials management</b> field, the Group established end-to-end service capabilities by way of providing integrated storage platform solutions. <b>The pilot web-based provincial level materials storage IT construction project</b> was successfully accepted.</li> </ul>

## Outsourcing Service Business (OSG)

- The JV with Huawei achieved **significant progress in its capability construction**. Based on the capability of independent offshore delivery, it actively established ability to deliver to customers more rapidly with higher quality at lower cost, and delivered more projects independently. By **optimizing organizational structure and rationalizing personnel deployment**, the staff utilization efficiency was improved. Through **IT platform construction for human resources management, financial management and project management**, the JV has laid a solid foundation for further enhancement of its operating ability in the future.
- Became preferred supplier for MCS (Microsoft Consulting Services) in China. The Company obtained COPC Customer Operations Performance Center certification, providing recognized quality and process guarantee, and providing Microsoft with global technical supports. Meanwhile, for the cloud computing aspect, the Company **set up Azure workshop and SharePoint workshop, and the cooperation with Microsoft advanced into a more strategic stage, i.e. Chinese cloud computing market expansion**, which laid a foundation for joint expansion of cloud computing business in China.
- Achieved breakthroughs in fund sector through collaboration with more than ten companies including ChinaAMC, GF Fund, China MerchantsFund, Huashang Fund, Pingan Fund and Harvest Fund.
- Business for Pingan Bank achieved a breakthrough in scale and became the pacesetter for win-win collaboration with customers in the sector.
- For telecommunications LTE+sector, backed by its core customers, Datang and TD Tech, the Group continued its penetration in 4G technology related aspects, including space information, cloud computing, internet of things, mobile internet and next generation internet to achieve industry chain breakthroughs.
- For e-commerce logistics, through close cooperation with SF Express Group in respect of air transport, payment and platforms, the Group provided support to SF Express' storage, circulation and distribution business, and would cover the logistics system of SF Express in full, thus achieving expansion in logistics industry.

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# New Focus and Growth in New Decade

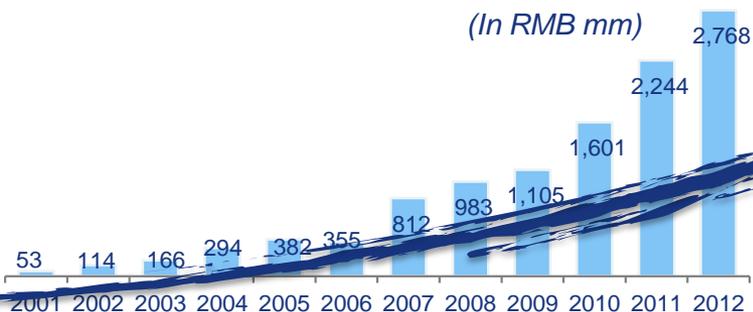
*Last Decade  
to Next Decade*

## FOCUS in the NEXT decade

- Cloud Enabling
- Cloud Based Services
- Platform Centric Operations

## FOCUS in the LAST decade

- Service Capabilities
- Verticals
- Region Coverage



# Growth Strategies

## Strategic Relationships

- Identify industry sectors with **native** and dominating customer (大型甲方), e.g. tobacco, electricity;
- Forge strong strategic relationships with this customer, first through projects, then programs and finally partnership (3P); goal: become the de-facto 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-> platform centric model
  - Extend regional reach in 1) US around MS, 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
- ❑ **Financing:** Open to both debt and equity or a combination; specific model determined on a case-by-case basis; Strive to be very EPS accretive.

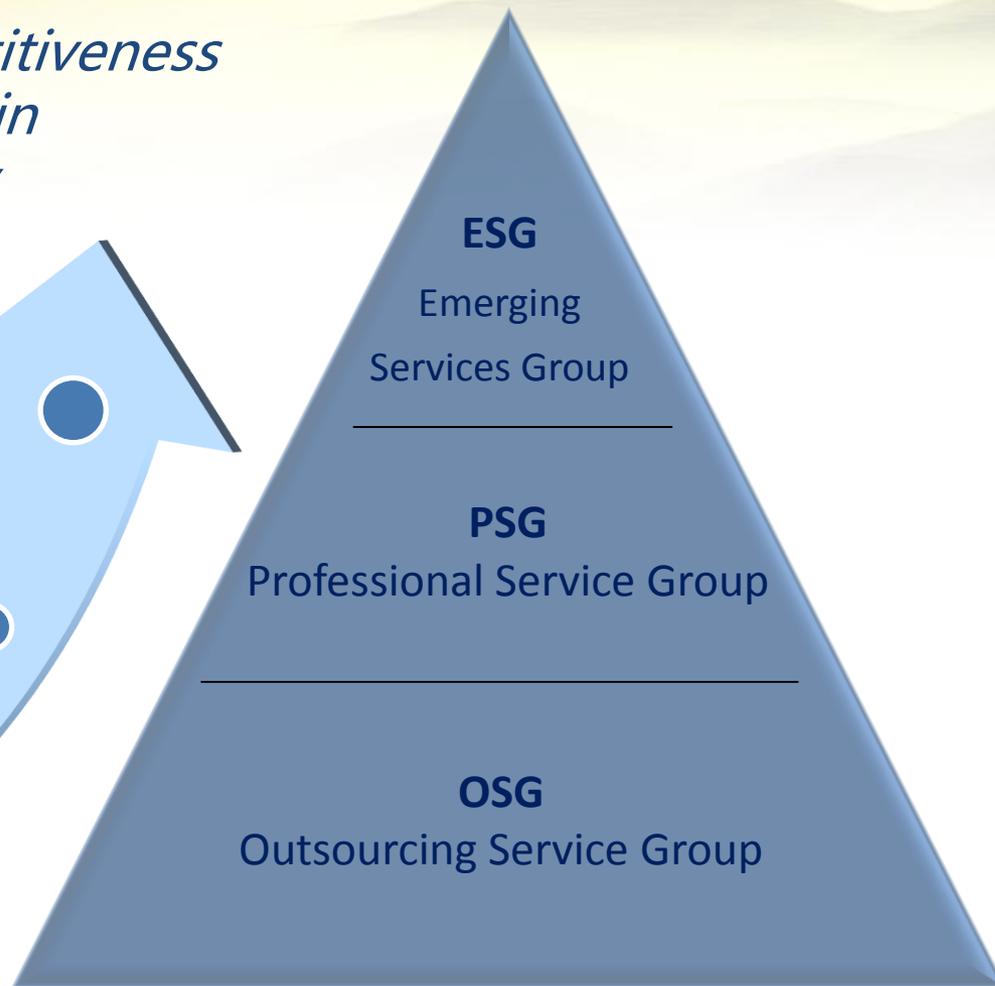
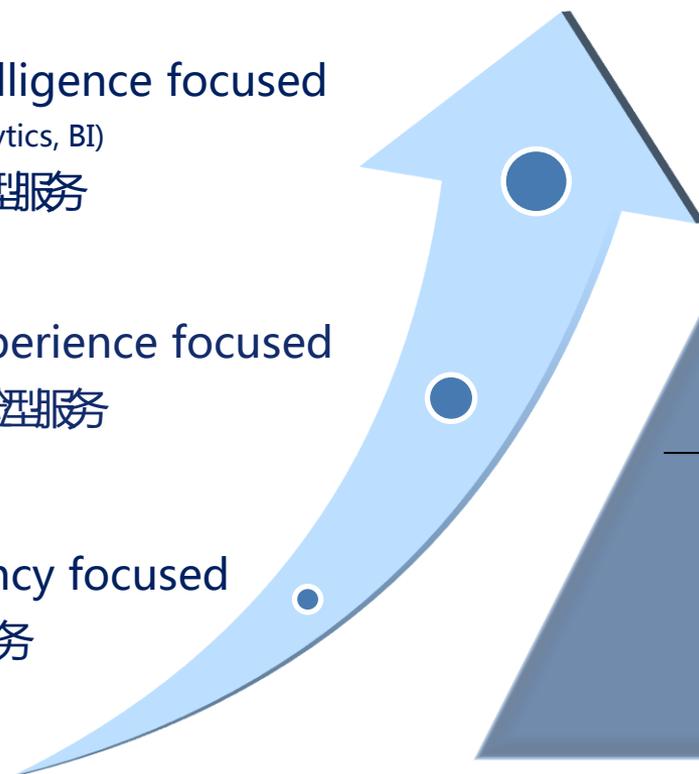
# Moving Up the Value Chain

*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

建设

超越

成就

**THANK YOU**

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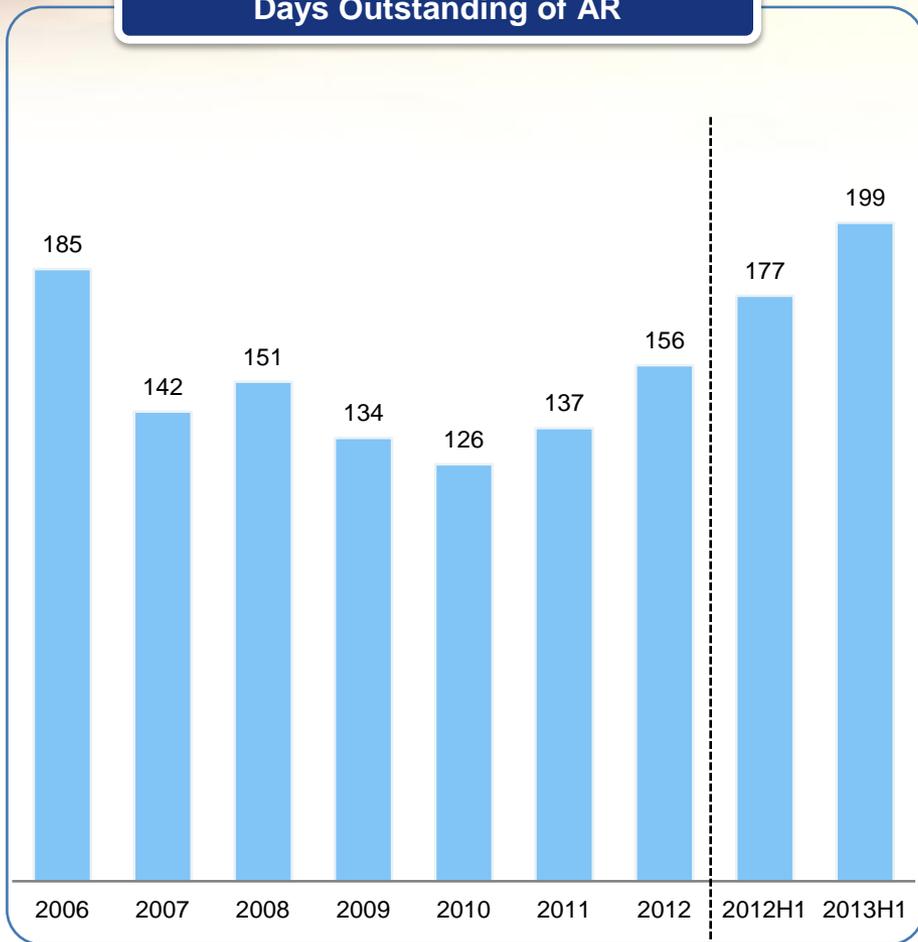
Email [ir@chinasofti.com](mailto:ir@chinasofti.com)

# Detailed Reconciliations

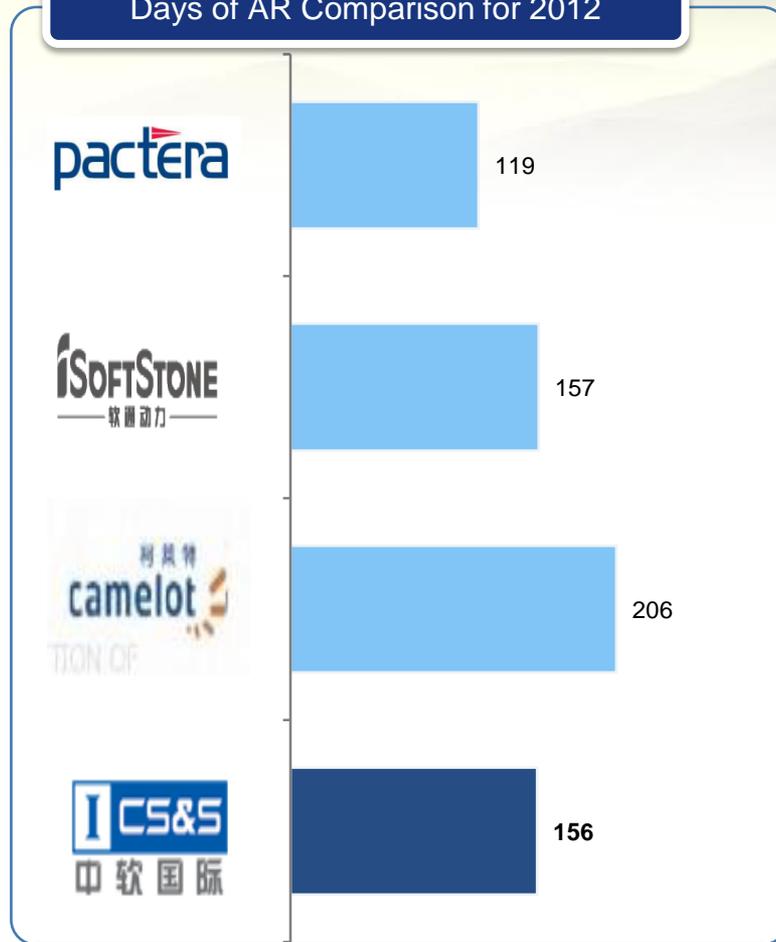
RMB million	2013 H1	Per Revenue %	Per Service revenue%	2012 H1	Per Revenue %	Per Service revenue%	Growth%
<b>Profit for the Period</b>	<b>80.7</b>	<b>5.9%</b>	<b>6.0%</b>	<b>65</b>	<b>4.8%</b>	<b>5.9%</b>	<b>23.3%</b>
<b>Non-GAAP Profit for the Period*</b>	<b>80.7</b>	<b>5.9%</b>	<b>6.0%</b>	<b>65</b>	<b>5.6%</b>	<b>5.9%</b>	<b>23.3%</b>
+Taxation	5.5	0.4%	0.4%	17	1.5%	1.5%	-68.0%
+Finance cost	20.4	1.5%	1.5%	14	1.2%	1.3%	43.1%
+Depreciation	25.3	1.8%	1.9%	24	2.0%	2.1%	6.0%
+Amortization of intangible assets	25.3	1.8%	1.9%	21	1.8%	1.9%	18.1%
-Share of result of associates	-0.5	0.0%	0.0%	0	0.0%	0.0%	91.1%
<b>EBITDA</b>	<b>156.6</b>	<b>11.4%</b>	<b>11.6%</b>	<b>142</b>	<b>12.1%</b>	<b>12.8%</b>	<b>10.5%</b>
+Share option expense	2.7	0.2%	0.2%	4	0.3%	0.3%	-25.4%
+Net foreign exchange loss (gain)	-0.3	0.0%	0.0%	0	0.0%	0.0%	-251.7%
+Allowance of doubtful debts	0.0	0.0%	0.0%	0	0.0%	0.0%	-143.5%
<b>Business Contribution Profit</b>	<b>159.1</b>	<b>11.6%</b>	<b>11.8%</b>	<b>145.6</b>	<b>12.4%</b>	<b>13.1%</b>	<b>9.2%</b>

# Days Receivable Comparison with Peers

Days Outstanding of AR



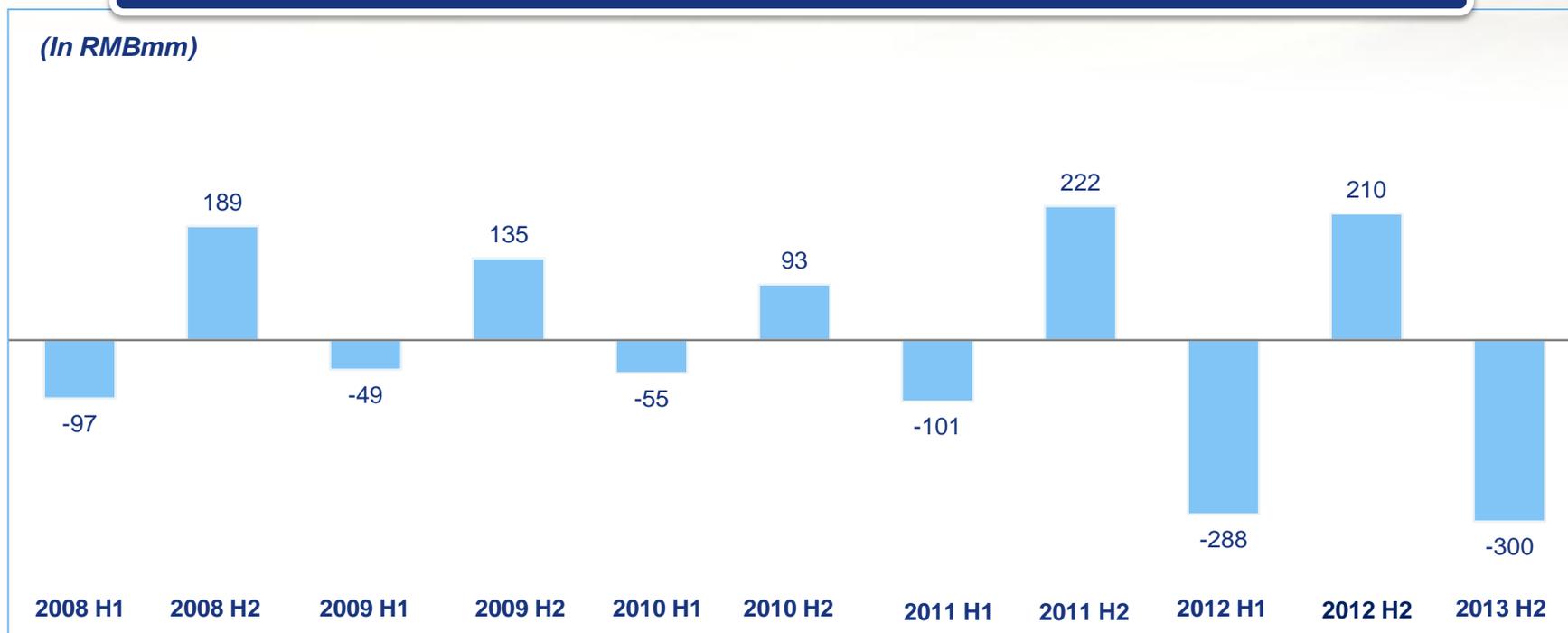
Days of AR Comparison for 2012



# Operating Cashflow

## Net Cash flow from Operating Activities

(In RMBmm)



# Aging Analysis of Accounts Receivables

RMB million	(Unaudited)	%	(Audited)	%	2013 Jun versus 2012 Dec	
	30 Jun,2013		31 Dec,2012			
Within 90 days	550	34%	601	43%	-51	-8%
Between 91-180 days	299	18%	116	8%	183	157%
Between 181-365 days	155	9%	55	4%	100	183%
Between 1-2 years	45	3%	57	4%	-12	-21%
Over 2 years	12	1%	1	0%	11	1381%
<b>Billed AR</b>	<b>1,061</b>	<b>65%</b>	<b>830</b>	<b>60%</b>	<b>231</b>	<b>28%</b>
<b>Unbilled AR</b>	<b>575</b>	<b>35%</b>	<b>561</b>	<b>40%</b>	<b>13</b>	<b>2%</b>
<b>Total AR</b>	<b>1,636</b>	<b>100%</b>	<b>1,391</b>	<b>100%</b>	<b>245</b>	<b>18%</b>

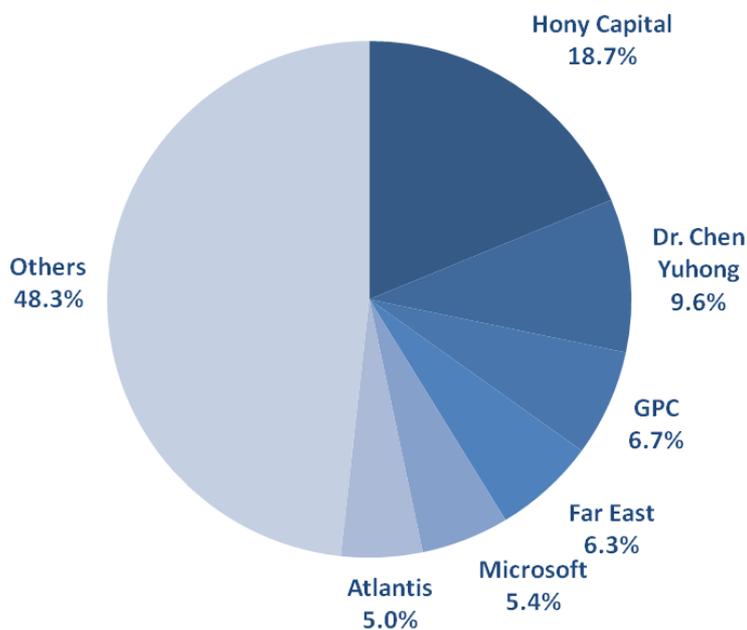
# Balance Sheet

RMB' 000	(Unaudited)	(Audited)
	30 Jun, 2013	31 Dec, 2012
<b>Current assets</b>		
Inventories	48,109	23,989
Trade and other receivables	1,341,634	1,039,396
Prepaid lease payments	150	1,038
Amounts due from associate	-	10,182
Amounts due from customers for contract work	574,840	561,359
Amount due from related companies	-	205
Pledged deposits	2,124	4,468
Bank balances and cash	514,062	774,847
	<b>2,480,919</b>	<b>2,415,484</b>
<b>Non-current assets</b>		
Property, plant and equipment	133,786	132,853
Intangible assets	233,977	159,330
Goodwill	745,408	629,075
Interests in associates	28,109	27,616
Available-for-sale investment	25,000	25,000
Prepaid trademark use right payments	57,952	42,477
Deferred tax assets	10,515	10,515
	<b>1,234,747</b>	<b>1,026,866</b>

RMB' 000	(Unaudited)	(Audited)
	30 Jun, 2013	31 Dec, 2012
<b>Current liabilities</b>		
Trade and other payables	620,400	668,918
Bills payable	1,672	7,071
Amounts due to customers for contract work	123,412	110,506
Amounts due to related companies	0	9196
Dividend payable to shareholders	74	75
Taxation payable	20,443	39,312
Borrowings	430,900	309,300
Convertible loan notes	194,861	199,087
	<b>1,391,762</b>	<b>1,343,465</b>
<b>Net current assets</b>	<b>1,089,157</b>	<b>1,072,019</b>
<b>Total assets less current liabilities</b>	<b>2,323,904</b>	<b>2,098,885</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	17,602	17,602
Borrowings	69,400	19,000
Consideration payable on acquisition of business	-	-
Convertible loan notes	-	-
	<b>87,002</b>	<b>36,602</b>
	<b>2,236,902</b>	<b>2,062,283</b>
<b>Capital and reserves</b>		
Share capital	84,667	81,804
Share premium	1,565,981	1,466,006
Reserves	456,685	379,814
Equity attributable to equity holders of the Company	<b>2,107,333</b>	<b>1,927,624</b>
Non-controlling interests	129,569	134,659
Total equity	<b>2,236,902</b>	<b>2,062,283</b>

# Shareholdings Structure

Shareholdings Structure



^As of 2013 June 30

\* Atlantis disclosed recent holdings on 2013 July 4

As of 2013 June 30	No. of Shares	% of Ordinary Shares
Hony Capital	335,076,453	18.7%
Dr. Chen Yuhong	171,579,039	9.6%
Greater Pacific Capital	119,268,639	6.7%
Far East Holdings International	113,399,822	6.3%
Microsoft	97,250,000	5.4%
Atlantis Investment Management *	89,750,000	5.0%
Others	863,864,980	48.3%
<b>Total</b>	<b>1,790,188,933</b>	<b>100.0%</b>

\* Atlantis disclosed recent holdings on 2013 July 4