

**ChinaSoft
International
(0354.HK)**

**2013 Annual Results
Investor Presentation**

March 27 2014

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建设
超越

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Agenda

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

Snapshot of ChinaSoft International

Service Offering
(% of service revenue¹)

- Professional Services (50.7%)
- Outsourcing Services (46.2%)
- Training (3.1%)

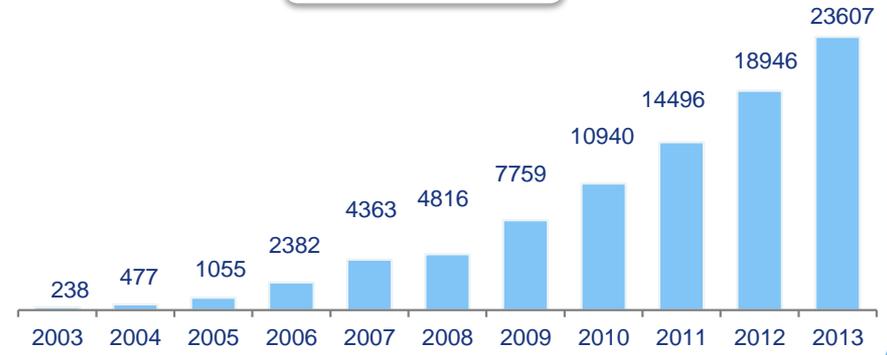
Vertical Coverage
(% of service revenue¹)

- Government & Manufacturing (20.5%)
- BFSI (16.5%)
- Public Services (10.3%)
- Telecommunications (27.1%)
- Technologies (22.6%)

Service Locations
(% of service revenue¹)

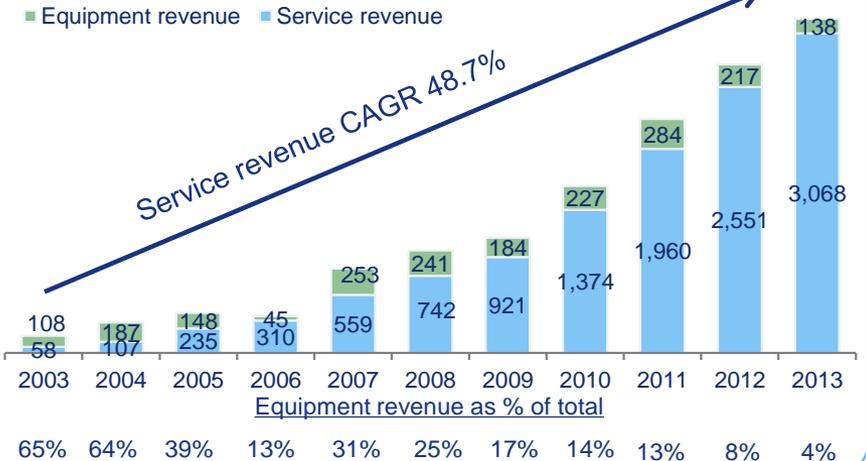
- 21 cities in China (78.2%)
- US, UK, Japan and other (21.8%)

Headcount



Total Revenues

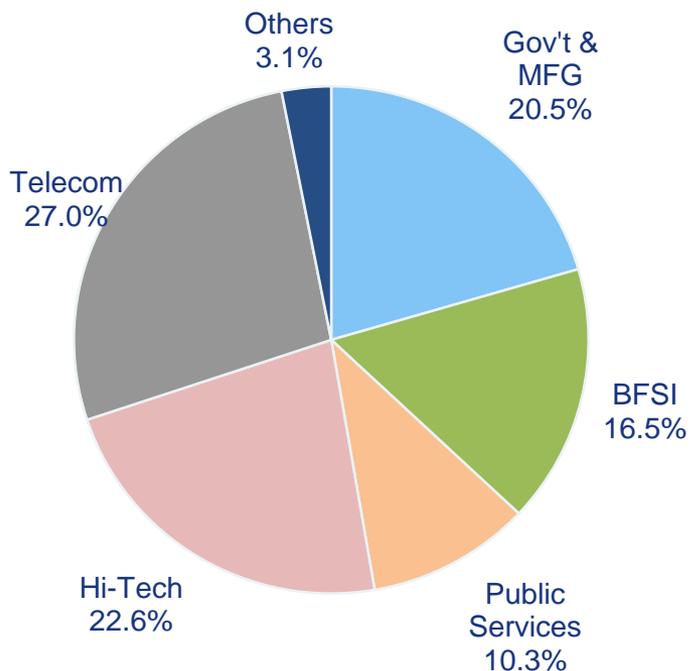
(In RMB mm)



¹ For the 12 months ended 12/31/2013

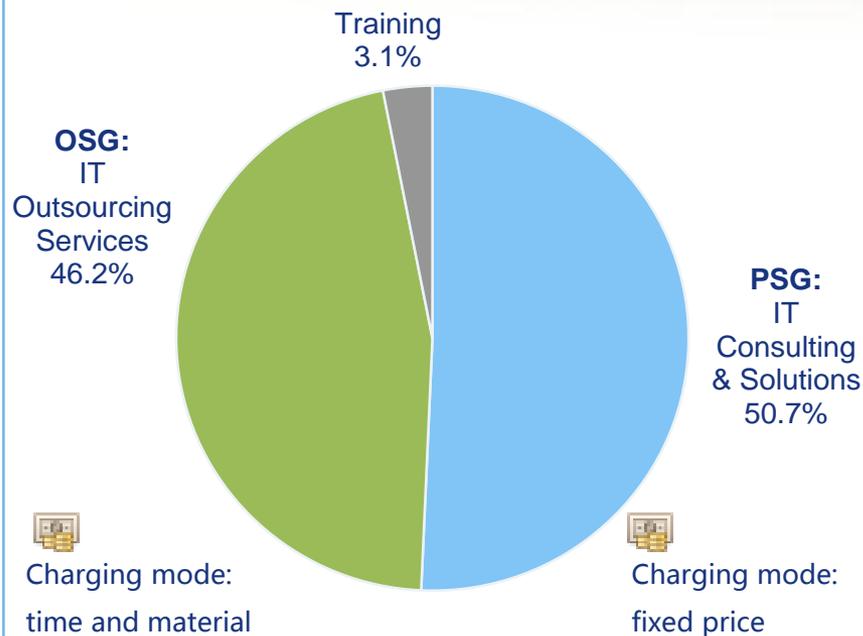
Business Distribution

Service Revenue by Industry Verticals



Total 2013 Service Revenue: RMB 3,068mm

Service Revenue by Service Type



Total 2013 Service Revenue: RMB 3,068mm

Business Development History

2003	2005	2007~08	2010	2011	2012	2013
Headcount 238	Headcount 1,055	Headcount 4,363	Headcount 10,940	Headcount 14,496	Headcount 18,946	Headcount 23,607
Government Manufacturing	High-Tech	Financial & Banking, Transportation	Telecommunic ations	Insurance Securities	Electricity	
IT Solution	ITO IT Training	BPO	IT Consulting			SMAC
China	US	Japan	Central & South America Britain			US
Listed on HK GEM Board	Microsoft became our shareholder	Main Board Listing	Huawei became our Strategic partner	Hony Capital became our shareholder	JV with HW Paas with Ali	Win bid of Fetion Government Services Cloud Platform of Lishui city

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	2013	2012	Growth%
Revenue	3,205,985	2,768,171	15.8%
<i>Service Revenue</i>	3,067,927	2,551,395	20.2%
Gross Profit	1,005,186	915,341	9.8%
Profit for the Year	200,028	150,142	33.2%
Net Profit attributable to Equity Shareholders*	148,301	133,189	11.3%
Basic EPS (RMB cents)	8.37	7.99	4.8%
Diluted EPS (RMB cents)	8.24	7.74	6.5%

* Net Profit attributable to equity shareholders for 2013 includes the effect of profit sharing on the JV with Huawei (ChinaSoft 60% - Huawei 40%). Excluding the effect from the Huawei JV, Net Profit attributable to Equity Shareholders would have been **RMB187,917,000** compared to RMB133,189,000 in 2012, an increase of **41.1%** on a year over year basis.

Tender chart of main financial index

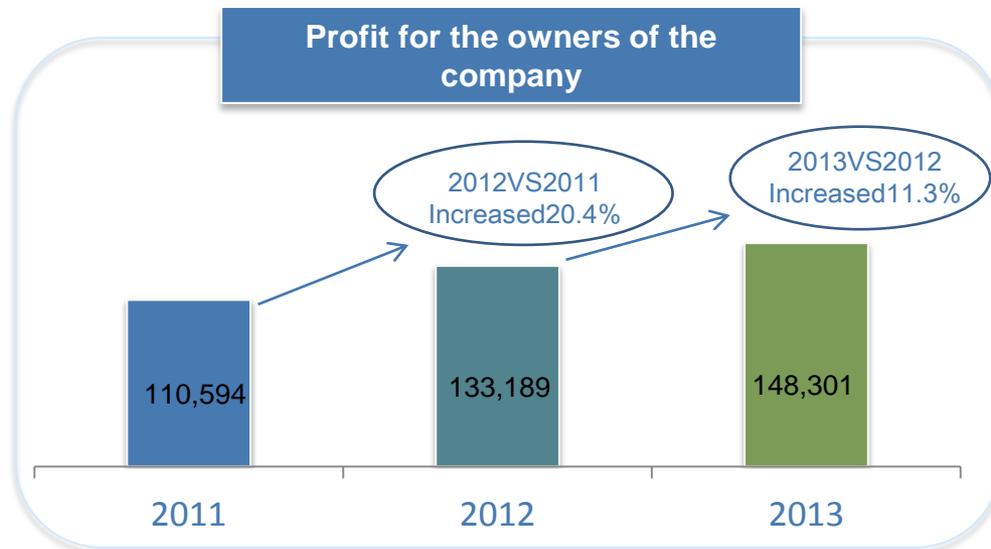
Service Revenue



Profit for the year



Profit for the owners of the company



Financial and Operating Ratio Analysis

RMB' 000	2013	Per Revenue%	Per Service revenue%	2012	Per Revenue%	Per Service revenue%	Growth%
Revenue	3,205,985			2,768,171			15.8%
<i>Service Revenue</i>	<i>3,067,927</i>	<i>95.7%</i>		<i>2,551,395</i>	<i>92.2%</i>		<i>20.2%</i>
Cost of sales	(2,200,799)	-68.6%	-71.7%	(1,852,830)	-66.9%	-72.6%	18.8%
<i>Direct Costs</i>	<i>(2,087,843)</i>	<i>-65.1%</i>	<i>-68.1%</i>	<i>(1,676,162)</i>	<i>-60.6%</i>	<i>-65.7%</i>	<i>24.6%</i>
— <i>Salary Costs</i>	<i>(1,692,145)</i>	<i>-52.8%</i>	<i>-55.2%</i>	<i>(1,314,209)</i>	<i>-47.5%</i>	<i>-51.5%</i>	<i>28.8%</i>
Gross Profit	1,005,186	31.4%	32.8%	915,341	33.1%	35.9%	9.8%
Other Income	61,836	1.9%	2.0%	55,235	2.0%	2.2%	12.0%
Selling Expenses	(175,369)	-5.5%	-5.7%	(160,692)	-5.8%	-6.3%	9.1%
Administration Expenses	(512,223)	-16.0%	-16.7%	(454,761)	-16.4%	-17.8%	12.6%
R&D cost expensed	(52,156)	-1.6%	-1.7%	(57,055)	-2.1%	-2.2%	-8.6%
Allowance for Doubtful Debt	(24,613)	-0.8%	-0.8%	(15,807)	-0.6%	-0.6%	55.7%
Amortization	(49,803)	-1.6%	-1.6%	(42,967)	-1.6%	-1.7%	15.9%
Gain from FV changes of contingent consideration payable	-	0.0%	0.0%	5,557	0.2%	0.2%	NA
Impairment loss on goodwill	-	0.0%	0.0%	(28,054)	-1.0%	-1.1%	NA
Finance Cost	(47,296)	-1.5%	-1.5%	(31,111)	-1.1%	-1.2%	52.0%
Share of result of associates and Gain on disposal of associates	(644)	0.0%	0.0%	2,030	0.1%	0.1%	-131.7%
Profit before taxation	204,918	6.4%	6.7%	187,716	6.8%	7.4%	9.2%
Taxation	(4,890)	-0.2%	-0.2%	(37,574)	-1.4%	-1.5%	-87.0%
Profit for the Year	200,028	6.2%	6.5%	150,142	5.4%	5.9%	33.2%

Segment Analysis

RMB'000	Revenue			Service Revenue		
	2013	2012	Growth	2013	2012	Growth
Professional Services Business (PSG)	1,694,727	1,452,782	16.7%	1,556,669	1,236,006	25.9%
Outsourcing Services Business (OSG)	1,416,895	1,221,800	16.0%	1,416,895	1,221,800	16.0%
Training Business	94,363	93,589	0.8%	94,363	93,589	0.8%
Total	3,205,985	2,768,171	15.8%	3,067,927	2,551,395	20.2%

Customers Analysis

Top Customers Concentration



Customer Analysis

- In 2013, the service revenue from the top 5 customers accounted for 41.1% of the Group's total service revenue.
- The service revenue from the top 10 customers accounted for 46.3% of the Group's total service revenue.
- The Group had 1,415 active customers in 2013, 706 of which were new customers.
- As of 31 December 2013, the Group had 61 customers each generating service revenue of more than RMB6 million.

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Major Events in 2013

Stay determined in its transformation to suit the rapidly changing IT service market

- New SMAC based technology enables software services to be delivered quickly and cheaply via mobile networks and over the internet (via SaaS).
- SMAC based technology also creates a new set of demands for new software that is needed to first manage the vast data traffic, and then analyze them through Big-Data analytical tools.

Research and development of “Joint Force”, a cloud-based crowd sourcing platform

- The Group developed a cloud-based crowd sourcing platform-“Joint Force”, On which, the Group is able to put tasks to allow programmers to make bids and select tasks they want to complete.
- The Group believes that it was imperative to introduce the “Joint Force” to address the issues of increased labor costs and decreases utilization rate of employees that are commonly seen in the IT Service industry

Expand to Oversea Markets

- The partnership with Catapult will increase the Group’s ability to carry out upstream sales, explore global customers, and bid for bigger and long-term service projects.
- The Group strives to become a global IT service provider with the ability to respond to the international demand for “end-to-end” IT consulting services, and fully satisfy the customers’ need for IT solutions.

Substantial growth in Huawei’s Outsourcing Business with increased profitability

- The joint venture between the Group and Huawei achieved critical success in respect to business delivery and overall strategy
- The joint venture became Huawei’s biggest and highest quality outsourcing provider; there are good synergy from business integration and management, resulting in increase in profitability in 2013.

Impact of the Japanese Yen exchange rate

- RMB appreciation decreased revenue and profit of Group’s oversea businesses.
- The Group is in negotiation with the customers in respect to unit price adjustment and is actively conducting analysis and research on potentially hedging Foreign currency.

Government	<ul style="list-style-type: none"> • Leading position as a service provider in the auditing industry, and captured first-mover advantages through completion of the local projects of Golden Auditing Project III. • Through close cooperation with Alibaba Cloud, became a cloud integration service provider for the intelligent government administration cloud project in Zhejiang Province.
Manufacturing & Distribution	<ul style="list-style-type: none"> • Won the bids for a number of data center projects for industrial and commercial enterprises. • Maintained market leading position in MES sector, and was awarded a number of projects including from Henan China Tobacco. • Awarded a public information platform project of a national agriculture-industrialized leading enterprise. • Entered into a strategic cooperation agreement with a well-known mining group to develop IT business for the mining industry. • Won the bid for IT platform project for the headquarter of a military enterprise.
BFSI (Banking, Financial Services & Insurance)	<ul style="list-style-type: none"> • For financial IC cards, payment and clearance as well as credit financing sectors, the Group entered into agreements with a number of joint stock banks, city commercial banks and foreign banks. • Provided strong supports for rapid development and innovation in financial services of Sunning, and won bids of and contracted with material customers including HSBC Software, and adopted a customized service model. • Contracted with a branch of a large state-owned property and casualty insurance company for an integrated business intelligence (BI) platform project, receiving further recognition in the business intelligence sector. • Successfully entered the insurance e-commerce sector, with the C to B insurance e-commerce platform construction project of a life-insurance company and the insurance e-commerce data mining project of a state-owned insurance company.
Telecom	<ul style="list-style-type: none"> • Won the bid for wireless products of Fetion business development and support services of China Mobile, to provide business construction and support for Mobile Fetion and Fetion HD products for China Mobile. • Through the in-depth cooperations with Alibaba Group 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.
Public Service	<ul style="list-style-type: none"> • Strategic cooperation with a pharmaceutical information company as the chief integrator undertaking the pharmaceutical information sharing platform project. • Maintained a stable growth in respect of city smart card, and was awarded a project of a major city in Southern China. Successfully contracted with a bank for a PBOC2.0 upgrade project for mobile subways. • Continued to seek for quality third party payment clients and worked with a super-large western city to engage in billing and integrated payment handling business based on cloud computing.
Electricity Power	<ul style="list-style-type: none"> • Completed the acquisition and integration of Along Grid, achieving significant progress in the electric power marketing business. • In the electric power materials management field, the Group established end-to-end service capabilities by way of providing integrated storage platform solutions. The pilot web-based provincial level materials storage IT construction project was successfully accepted.

Outsourcing Service Business (OSG)

- The JV with Huawei achieved **significant progress in its capability construction**. 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**.
- **Acquired Catapult**, an excellence consulting services provider focusing on Microsoft's business, with new capabilities of providing hosting services, creative services, mobile applications and cloud services, which occupy leading positions in terms of new technologies and market demand.
- Achieved breakthroughs in fund sector through collaboration with more than ten companies including **ChinaAMC, GF Fund, China Merchants Fund, 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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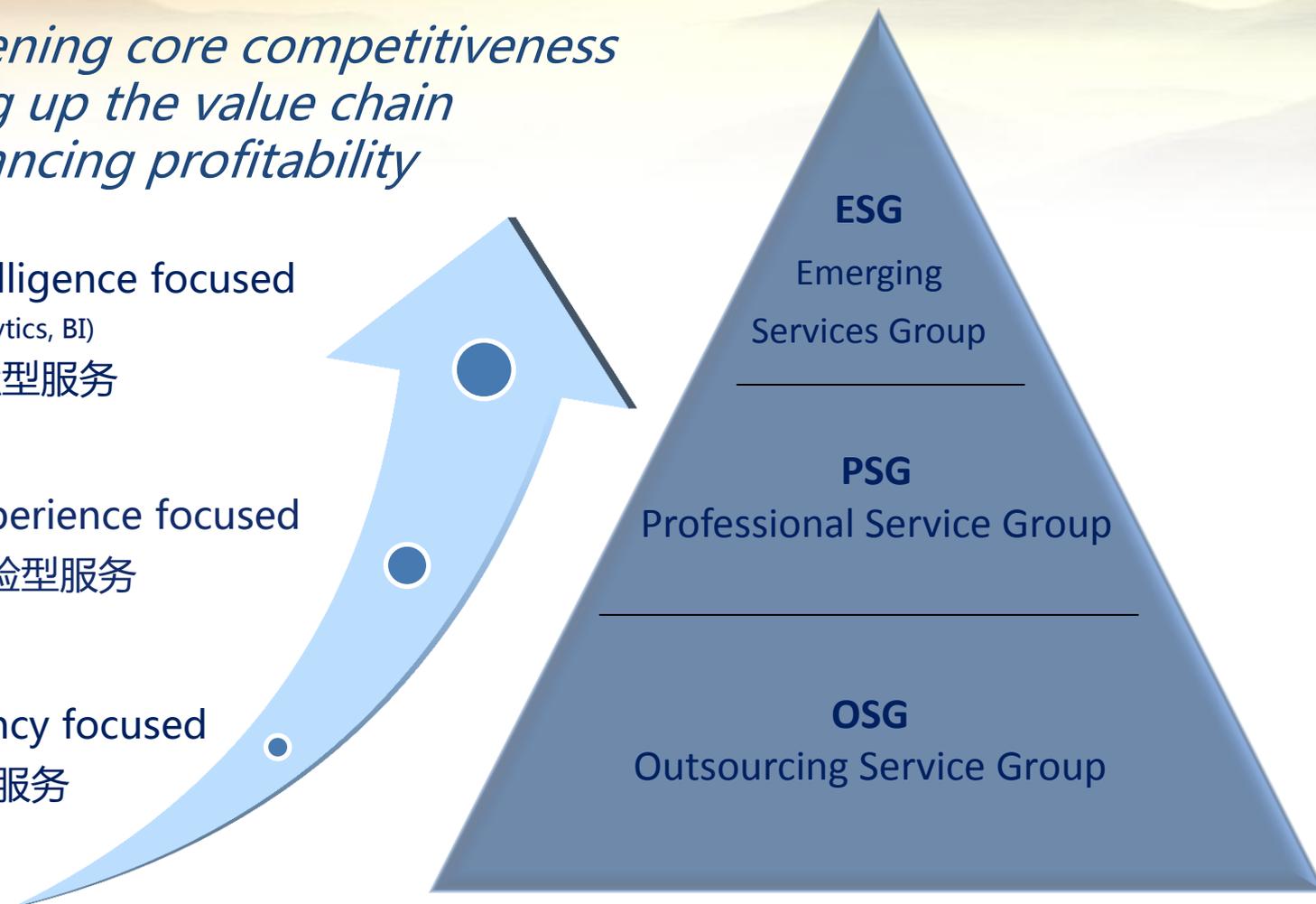
Moving Up the Value Chain

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



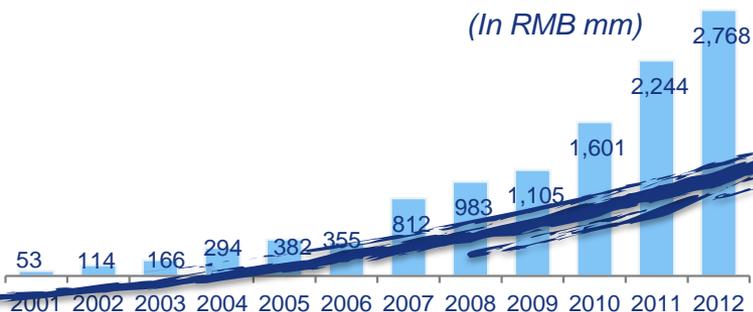
Last Decade to Next Decade

FOCUS in the LAST decade

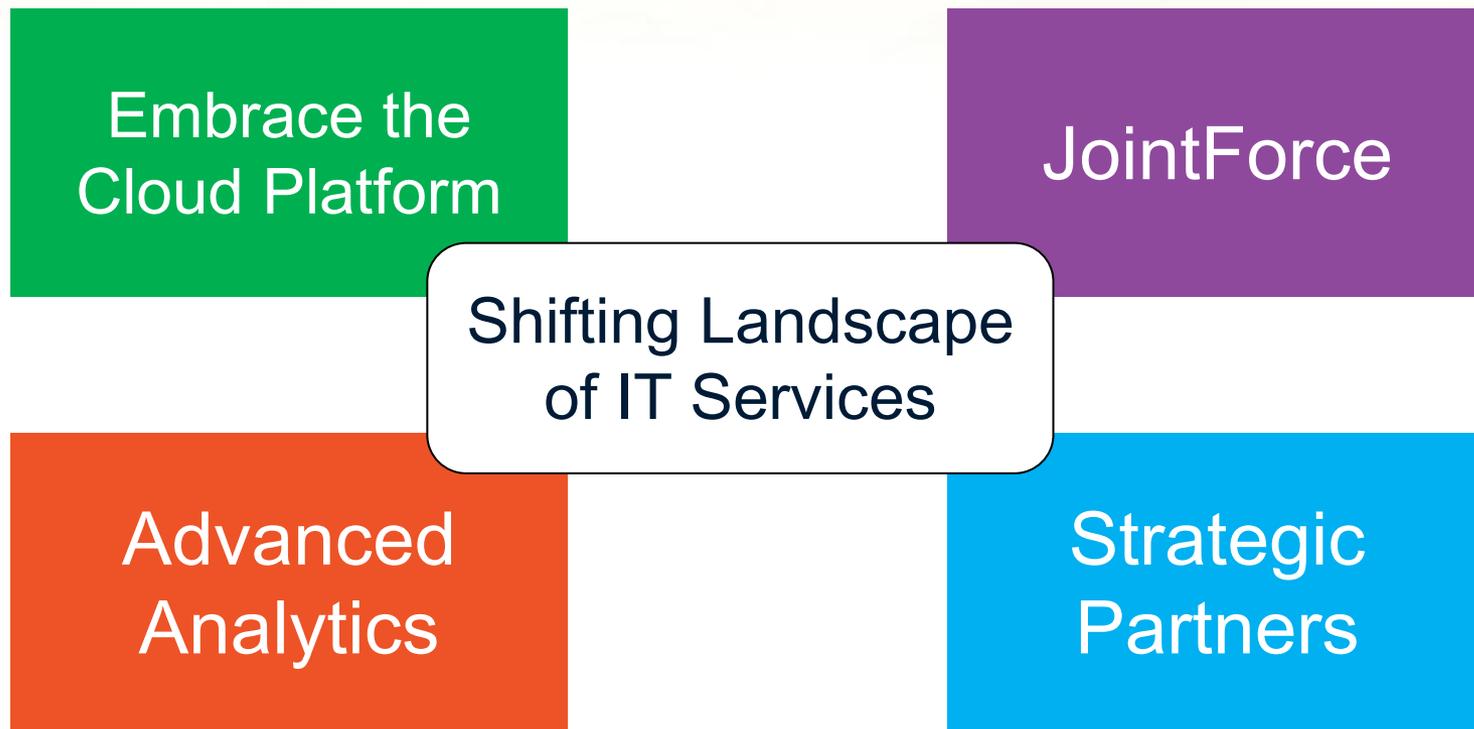
- Service Capabilities
- Verticals
- Region Coverage

FOCUS in the NEXT decade

- Cloud Enabling
- Cloud Based Services
- Platform Centric Operations



Corporate Strategy



Embrace the Cloud Platform

- ❑ Strategic cooperation with Alibaba Cloud back in 2012 to bring our own **R1 middleware onto Ali Cloud's PaaS layer.**
- ❑ Founding member as well as the Primary Promoter **for Alibaba Cloud's Yunqi Cloud Alliance** in October 2013.
- ❑ Also signed an agreement with a leading pharmaceutical integrated information and content provider to build and co-operate **a pharmaceutical product tracking system based on Alibaba Cloud** in 2013.
- ❑ On the international front, through the **newly acquired Catapult Systems**, the Group provides **high end cloud services in Microsoft's Azure public cloud technology stack.**
- ❑ And in early 2014 the Group made **a minority investment in a US company that specializes in Commerce as a Service (CaaS)**, operating exclusively in the cloud.

Advanced Analytics. Man + Machine

- ❑ The Company will build **collaboration laboratories** to focus on driving innovative and emerging technologies in the Chinese domestic Advanced Analytics market by means of the partnership.
- ❑ We have great advantages in:
 - ❑ **Data analysis experience in several industries** including telecommunication, circulation, manufactory, insurance and public services;
 - ❑ **Abilities to build large Data Centres:** 7 customers of states-owned enterprise and national government department;
 - ❑ **PB-level data storage and processing capabilities:** China Meteorological Administration, PB level structure and unstructured data;
 - ❑ **Large concurrent high-performance computing capability:** China UnionPay, 12 million transactions at day peak.
- ❑ By combining the Group's local market and customer knowhow with global leading methodologies and solutions of advanced analytics, brought on by the partnership, we expect to create a set of trusted and valuable data analysis solutions and services for many verticals, all designed and created for the Chinese market.

Joint Force Platform

- ❑ **JointForce**, the **cloud based crowd-sourcing platform**, will allow managements to post assignments real-time on its platform and let programmers bid their tasks.
- ❑ It will **revamp the traditional model** and **effectively increase the efficiency** of the Group.
- ❑ We plans to **launch this platform in 2014** while continuing to develop more features. We will fine tune JointForce internally and **package JointForce as a product to sell to other IT businesses**.
- ❑ The Group sees JointForce, first as an efficiency management tool, but more importantly as **a platform that can potentially transform the whole IT services industry**.

Strategic Partners – Riding on the shoulders of Giants

- ❑ Strategic cooperation with **Alibaba Cloud** and has since worked closely together on many projects:
 - ❑ Li Shui Governmental Project
 - ❑ Citic 21CN
 - ❑ Yunqi Cloud Alliance
 - ❑ Greentown China
- ❑ Won **China Mobile** 2013 Wireless Fetion contract in June 2013 and expects to continue this close relationship with China Mobile in the years to come.
- ❑ **Microsoft** is one of our biggest customers as well as large common stock shareholder. To enhance our service offerings and also to consolidate existing collaborations, we acquired a US service provider in 2013, which engages in providing Microsoft product and technology consultancy services (including Cloud and Mobile), with strong capabilities and Microsoft credentials and reputation.
- ❑ Formed a joint venture with **Huawei** - our largest customer, in late 2011, to secure growth in the outsourcing market and open a door-way to the global IT Services market via Huawei's international presence.
- ❑ **Hony Capital**, one of the most respected Private Equity fund in China, became a strategic investor of the Group in 2011, by injecting capital to hold 17% of the company.

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THANK YOU

IR Contacts

Email ir@chinasofti.com

Detailed Reconciliations

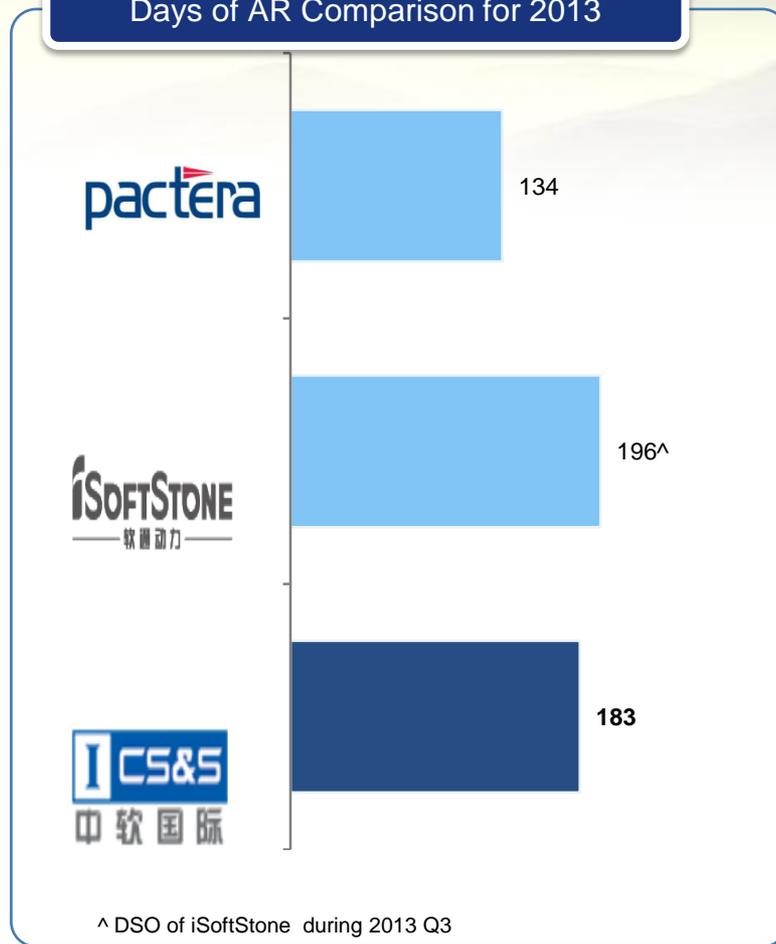
RMB' 000	2013	Per Revenue%	Per Service revenue%	2012	Per Revenue%	Per Service revenue%
Profit for the Year	200,028	6.2%	6.5%	150,142	5.4%	5.9%
Adjustment:						
+Impairment loss	0	0.0%	0.0%	28,054	1.0%	1.1%
-Gain from FV changes of contingent consideration payable	0	0.0%	0.0%	5,557	0.2%	0.2%
+Taxation	4,890	0.2%	0.2%	37,574	1.4%	1.5%
+Finance cost	47,296	1.5%	1.5%	31,111	1.1%	1.2%
+Depreciation	52,562	1.6%	1.7%	42,967	1.6%	1.7%
+Amortization of intangible assets	49,803	1.6%	1.6%	46,577	1.7%	1.8%
-Share of result of associates and Gain on disposal of associates	-644	0.0%	0.0%	2,030	0.1%	0.1%
EBITDA	355,223	11.1%	11.6%	328,838	11.9%	12.9%
+Share option expense	5,372	0.2%	0.2%	11,544	0.4%	0.5%
+Net foreign exchange loss	1,860	0.1%	0.1%	72	0.0%	0.0%
+Allowance of doubtful debts	24,613	0.8%	0.8%	15,807	0.6%	0.6%
Business Contribution Profit	387,068	12.1%	12.6%	356,261	12.9%	14.0%

Days Receivable Comparison with Peers

Days Outstanding of AR



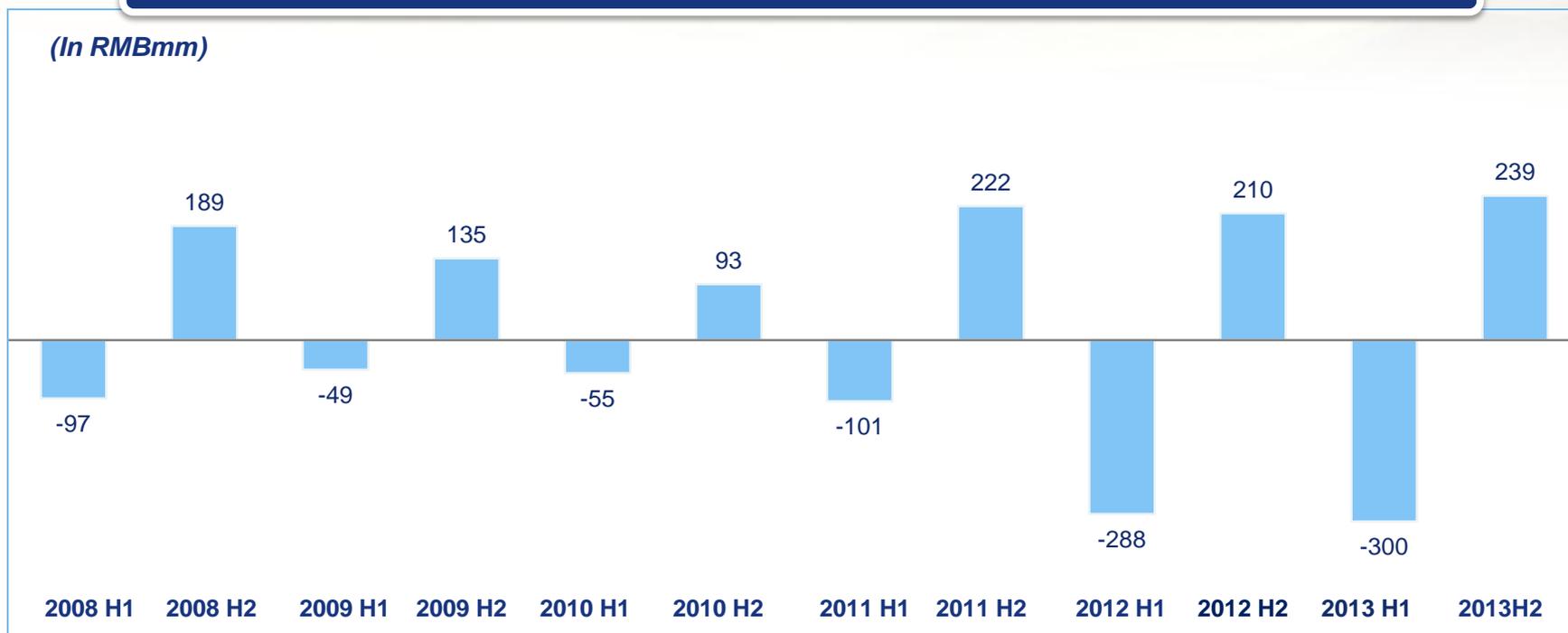
Days of AR Comparison for 2013



Operating Cashflow

Net Cash flow from Operating Activities

(In RMBmm)



Aging Analysis of Accounts Receivables

RMB'000	(Audited)	%	(Audited)	%	2013 versus 2012	
	31 Dec,2013		31 Dec,2012			
Within 90 days	505,616	27%	601,133	43%	-95,517	-16%
Between 91-180 days	164,053	9%	116,221	8%	47,832	41%
Between 181-365 days	74,929	4%	54,822	4%	20,107	37%
Between 1-2 years	69,196	4%	56,828	4%	12,368	22%
Over 2 years	299	0%	805	0%	-506	-63%
Billed AR	814,093	43%	829,809	60%	-15,716	-2%
Unbilled AR	1,060,869	57%	561,359	40%	499,510	89%
Total AR	1,874,962	100%	1,391,168	100%	483,794	35%

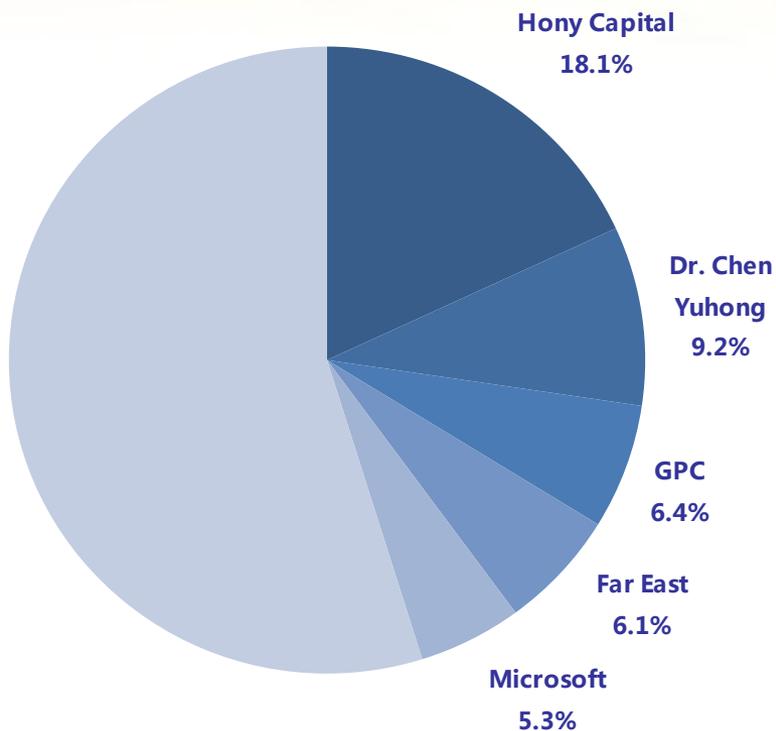
Balance Sheet

RMB' 000	(Audited)	(Audited)
	31 Dec, 2013	31 Dec, 2012
Current assets		
Inventories	19,883	23,989
Trade and other receivables	1,146,646	1,039,396
Prepaid lease payments	1,009	1,038
Amounts due from associate	-	10,182
Amounts due from customers for contract work	1,060,869	561,359
Amount due from related companies	814	205
Pledged deposits	69,203	4,468
Bank balances and cash	876,821	774,847
	3,175,245	2,415,484
Non-current assets		
Property, plant and equipment	174,186	132,853
Intangible assets	280,649	159,330
Goodwill	936,988	629,075
Interests in associates	13,519	27,616
Available-for-sale investment	25,000	25,000
Prepaid trademark use right payments	41,482	42,477
Deposits paid for investment in an associate	14,850	-
Derivative financial instruments	649	-
Deferred tax assets	10,389	10,515
	1,497,712	1,026,866

RMB' 000	(Audited)	(Audited)
	31 Dec, 2012	31 Dec, 2012
Current liabilities		
Trade and other payables	741,528	668,918
Bills payable	3,387	7,071
Amounts due to customers for contract work	217,410	110,506
Amounts due to related companies	9,196	9,196
Dividend payable to shareholders	73	75
Taxation payable	28,303	39,312
Borrowings	471,328	309,300
Convertible loan notes	-	199,087
	1,471,225	1,343,465
Net current assets	1,704,020	1,072,019
Total assets less current liabilities	3,201,732	2,098,885
Non-current liabilities		
Deferred tax liabilities	17,589	17,602
Borrowings	518,268	19,000
Consideration payable on acquisition of business	35,636	-
Convertible loan notes	189,038	-
	760,531	36,602
	2,441,201	2,062,283
Capital and reserves		
Share capital	87,085	81,804
Share premium	1,667,181	1,466,006
Reserves	513,957	379,814
Equity attributable to equity holders of the Company	2,268,223	1,927,624
Non-controlling interests	172,978	134,659
Total equity	2,441,201	2,062,283

Shareholdings Structure

Shareholdings Structure



^As of 2013 Dec 31

As of 2013 Dec 31	No. of Shares	% of Ordinary Shares
Hony Capital	335,076,453	18.1%
Dr. Chen Yuhong	170,993,039	9.2%
Greater Pacific Capital	119,268,639	6.4%
Far East Holdings International	113,399,822	6.1%
Microsoft	97,250,000	5.3%
Others	1,015,187,330	54.8%
Total	1,851,175,283	100.0%