

# Chinasoft International (354.HK)

## Investor Presentations

## 2016 Results

奋斗为本 成就客户 创造分享 共同成长

We enjoy the  
wonderful journey

再出发



- These presentations and/or other documents have been written and presented by Chinasoft International Limited (“ChinaSoft International” or “the Company”).
- The information presented or contained in these materials is subject to change without notice and its accuracy is not guaranteed.
- Neither the presentation nor any of the information contained therein constitutes an offer to sell or issue or the solicitation of an offer to buy or acquire or invitation to purchases or subscribe for any securities of the Company in any jurisdiction or an inducement to enter into investment activity, nor may it or any part of it form the basis of or be relied upon in connection with any contract, commitment or investment decision whatsoever.



I. 2016 Financial Results

II. Business Developments and Strategic Outlooks

III. Investment Highlights

IV. Appendixes



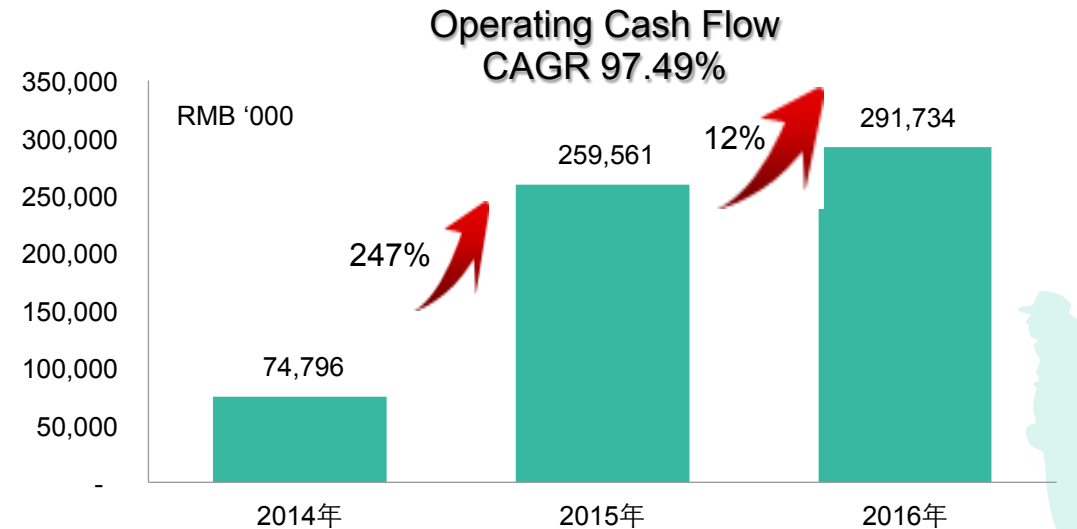
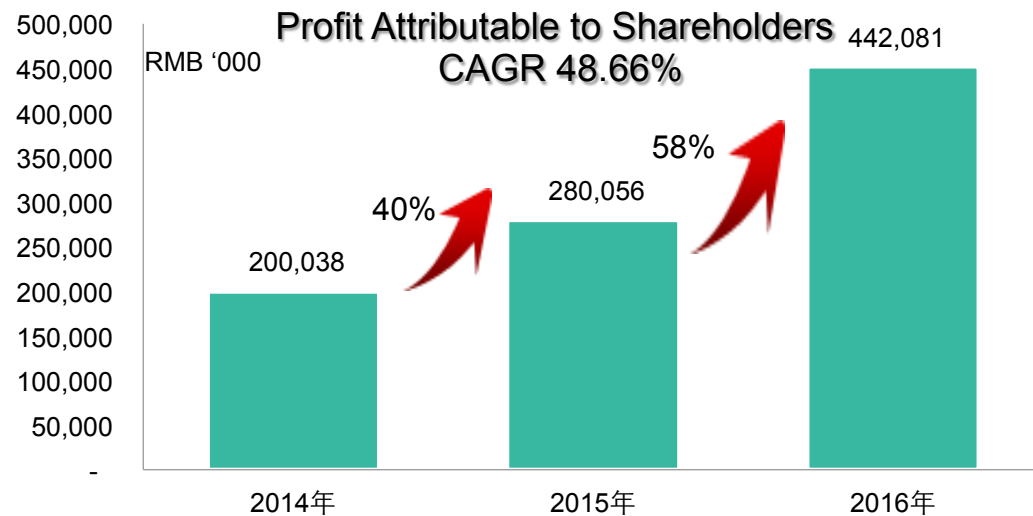
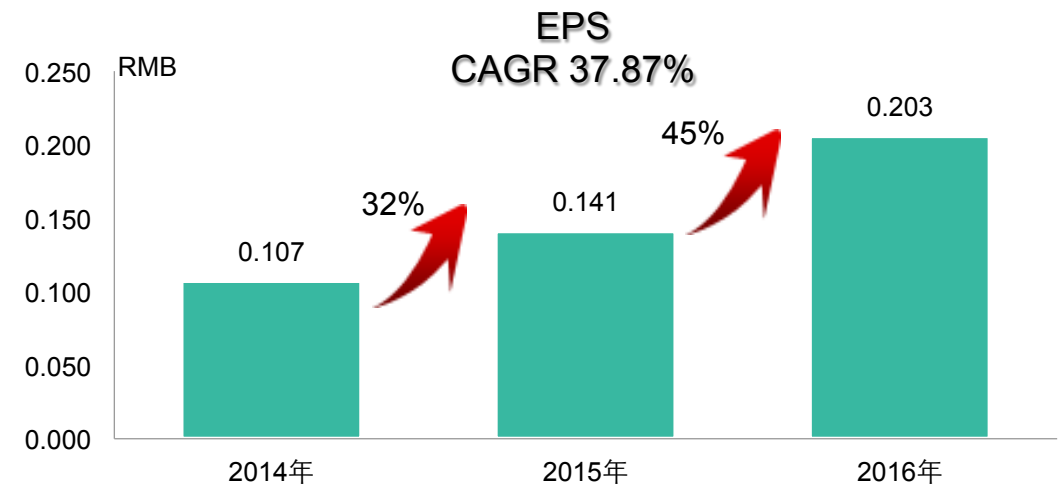
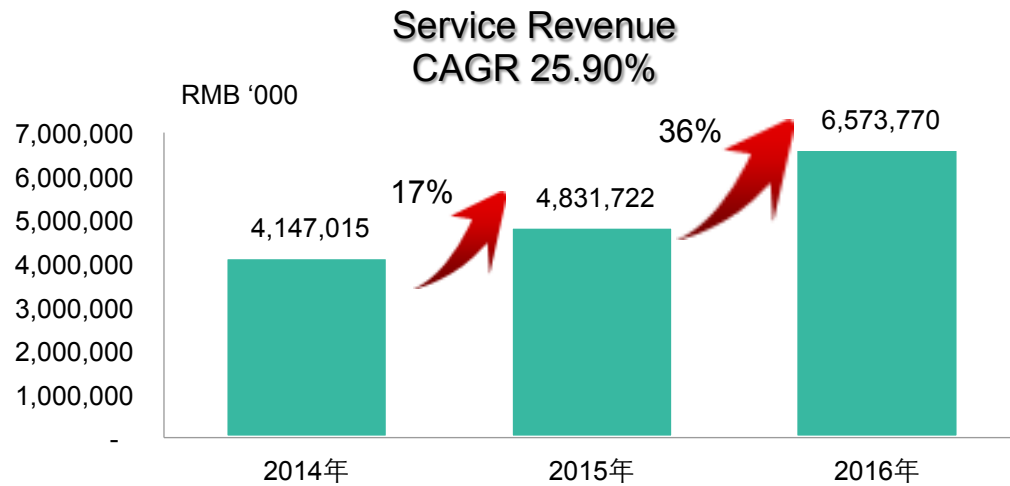
# Financial Highlights

RMB '000	2016	2015	Growth
Revenue	6,783,367	5,129,111	32.3%
<i>Service Revenue</i>	6,573,770	4,831,722	36.1%
Gross Profit	2,015,838	1,523,208	32.3%
Operating Profit*	556,455	369,936	50.4%
Profit Attributable to Shareholders	442,081	280,056	57.9%
Adjusted Profit Attributable to Shareholders	493,054	251,283	96.2%
Basic EPS (RMB Cents)	20.34	14.05	44.8%

\* EBIT = Gross profit - Sales and distribution costs - Administrative expenses - R & D expenses - Provision for bad debts - Other expenses (Amortization of intangible assets) + Share results of associates

# Adjusted Profit Attributable to Shareholders

RMB '000	2016	2015	Growth
<b>Profit attributable to shareholders</b>	<b>442,081</b>	<b>280,056</b>	<b>57.9%</b>
Gain on disposal of subsidiaries		-111,724	
Tax on the gain on disposal of subsidiaries		17,195	
Allowance for doubtful debts for other receivables relating to disposal of available-for-sale investments	-26,568	25,944	
Share option expenses	45,285	13,637	
Fair value change on derivative financial instruments		1,074	
Fair value change on contingent consideration payable on acquisition of subsidiary	-20,152	-3,283	
Exchange loss arose from loan in USD		28,384	
Tax arose from Group restructure	52,408		
<b>Adjusted profit attributable to shareholders</b>	<b>493,054</b>	<b>251,283</b>	<b>96.2%</b>



# Segment Results

RMB '000	TPG			IIG		
	2016	2015	Growth	2016	2015	Growth
Revenue	5,481,921	3,780,692	45.0%	1,301,446	1,348,419	-3.5%
Service Revenue	5,413,546	3,578,708	51.3%	1,160,224	1,253,014	-7.4%
Results	533,611	300,814	77.4%	115,656	128,574	-10.0%

\* The main reason for the decrease in IIG is because at the end of 2015, the Group sold parts of its ETC business, and the financials are no longer consolidated.

# Income Statement

RMB '000	2016	Of Revenue	Of Ser. Rev.	2015	Of Revenue	Of Ser. Rev.	Growth
<b>Revenue</b>	<b>6,783,367</b>			5,129,111			32.3%
<b>Service revenue</b>	<b>6,573,770</b>			4,831,722			36.1%
Cost of sales and services	<b>-4,767,529</b>	-70.3%	-72.5%	-3,605,903	-70.3%	-74.6%	32.2%
<b>Gross profit</b>	<b>2,015,838</b>	29.7%	30.7%	1,523,208	29.7%	31.5%	32.3%
Other income	<b>41,908</b>	0.6%	0.66%	46,259	0.9%	1%	-9.4%
Other gains or losses	<b>1,807</b>	0.03%	0.03%	-17,625	-0.3%	-0.4%	N/A
Selling and distribution expenses	<b>-219,022</b>	-3.2%	-3.3%	-178,581	-3.5%	-3.7%	22.6%
Administrative expenses	<b>-806,614</b>	-11.9%	-12.3%	-627,264	-12.2%	-13.0%	28.6%
R&D expenses	<b>-345,269</b>	-5.1%	-5.3%	-195,318	-3.8%	-4.0%	76.8%
Allowance for doubtful debts	<b>-17,958</b>	-0.3%	-0.27%	-62,055	-1.2%	-1.4%	-71.1%
Other expenses (amortization of intangible assets)	<b>-88,012</b>	-1.3%	-1.34%	-91,961	-1.8%	-1.9%	-4.3%
Fair value change on derivative financial instruments				-1,074	-0.02%	-0.02%	NA
Finance costs	<b>-95,735</b>	-1.4%	-1.46%	-92,509	-1.8%	-1.9%	3.5%
Share of results of associates	<b>17,492</b>	0.3%	0.27%	1,907	0.04%	0.04%	817.3%
Gain on disposal of subsidiaries				111,724	2.2%	2.3%	NA
Fair value change on contingent consideration payable on acquisition of subsidiary	<b>20,152</b>	0.3%	0.31%	3,283	0.06%	0.07%	513.8%
<b>Profit before taxation</b>	<b>524,587</b>	7.7%	8.0%	419,994	8.2%	8.7%	24.9%
Income tax expense	<b>-114,754</b>	-1.7%	-1.75%	-87,010	-1.7%	-1.8%	31.9%
<b>Profit for the year</b>	<b>409,833</b>	6.0%	6.2%	332,984	6.5%	6.9%	23.1%
<b>Profit attributable to shareholders</b>	<b>442,081</b>	6.5%	6.7%	280,056	5.5%	5.8%	57.9%



# Balance Sheet

RMB '000	2016	2015
<b>Current assets</b>		
Inventories	20,893	30,260
Trade and other receivables	2,092,700	1,429,127
Bill receivable	23,186	8,828
Prepaid lease payments	860	893
Amounts due from cust. for contract work	1,430,206	1,516,660
Amounts due from related companies	59,939	49,862
Pledge deposits	670	44,891
Bank balances and cash	1,298,972	1,265,831
	<b>4,927,426</b>	<b>4,346,352</b>
<b>Non-current assets</b>		
PPE	819,799	537,593
Intangible assets	231,075	283,103
Goodwill	1,008,479	995,610
Interests in associates	104,190	78,857
Available-for-sale investment	61,965	49,151
Prepaid lease payments	38,723	39,583
Other receivable	30,000	11,688
Deferred tax assets	7,646	6,516
	<b>2,301,877</b>	<b>2,002,101</b>

RMB '000	2016	2015
<b>Current liabilities</b>		
Amounts due to customers for contract work	122,271	87,750
Trade and other payables	1,203,843	940,372
Bills payable	812	2,120
Amounts due to related companies	37,983	34,667
Dividend payable	83	78
Taxation payable	130,450	87,353
Convertible loan notes	-	89,622
Borrowings	922,452	1,297,016
Consideration payable on acq. of a subsidiary	21,035	
	<b>2,438,929</b>	<b>2,538,978</b>
<b>Net current assets</b>	<b>2,488,497</b>	<b>1,807,374</b>
<b>Total assets less current liabilities</b>	<b>4,790,374</b>	<b>3,809,475</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	18,943	20,504
Consideration payable on acq. of a subsidiary	-	39,205
Convertible loan notes	244,296	
Borrowings	194,496	263,496
	<b>457,735</b>	<b>323,205</b>
	<b>4,332,639</b>	<b>3,486,270</b>
<b>Capital and reserves</b>		
Share capital	106,387	95,645
Share premium	2,652,697	2,106,029
Reserves	1,505,130	1,045,531
Equity attributable to owners of the Company	4,264,214	3,247,205
Non-controlling interests	68,425	239,065
<b>Total equity</b>	<b>4,332,639</b>	<b>3,486,270</b>

I. 2016 Financial Results

II. Business Developments and Strategic Outlooks

III. Investment Highlights

IV. Appendixes

## Business

- Outbid Infosys, TCS, and others for HSBC global
- Signed with Tencent Cloud and became its strategic channel partner
- Developed and maintained the “SZ – HK Connect” system
- Consolidated Pacter’s big data team
- Expanded JF to work with Huawei Cloud

## Capital Market

- Introduced Huawei as its strategic shareholder
- Incorporated into the “SZ-HK Connect” (approx. 6.1% of accumulated shares)
- Was the Top 10 most traded companies numerous times

## Honors

- IAOP 2016 Global Outsourcing Top 100
- 2016 China software and IT Servicing Capabilities Top 10
- Achievement Award
- First class of Tier 1 National IT System Integration and Service Enterprise
- Best IR
- Launch by Catapult System reward by Microsoft as Tier 1 Software

# Strategic Outlook I: Large Customers



- Steady growths in outsourcing
- Big data centers
- JF and Huawei cloud cooperation
- Pushed Huawei cloud solutions in the manufacturing and tobacco Industry

Huawei

- New AI language and voice recognition
- Catapult continues to grow

Microsoft



Microsoft



HSBC

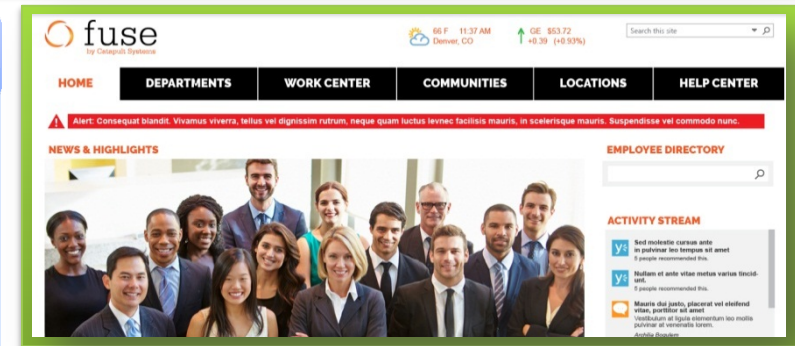
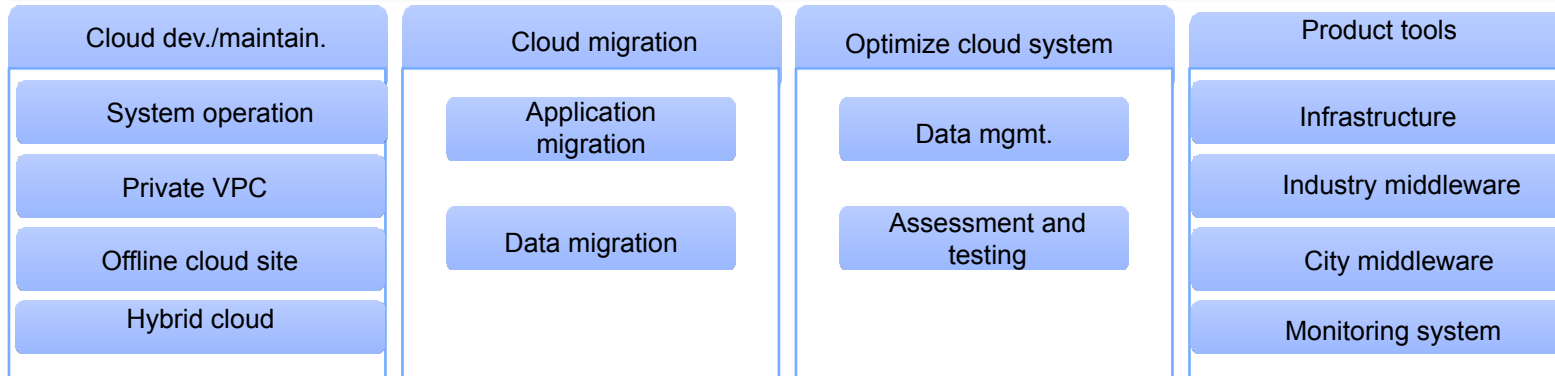
- Enter into HSBC global businesses
- Optimistic outsourcing growths

Tencent

- Channel partners
- Largest desktop and mobile developer and tester



# Strategic Outlook II: Cloud



**Fusion Sphere**

openstack Cinder Nova Neutron

First CSSP, develop cloud solutions

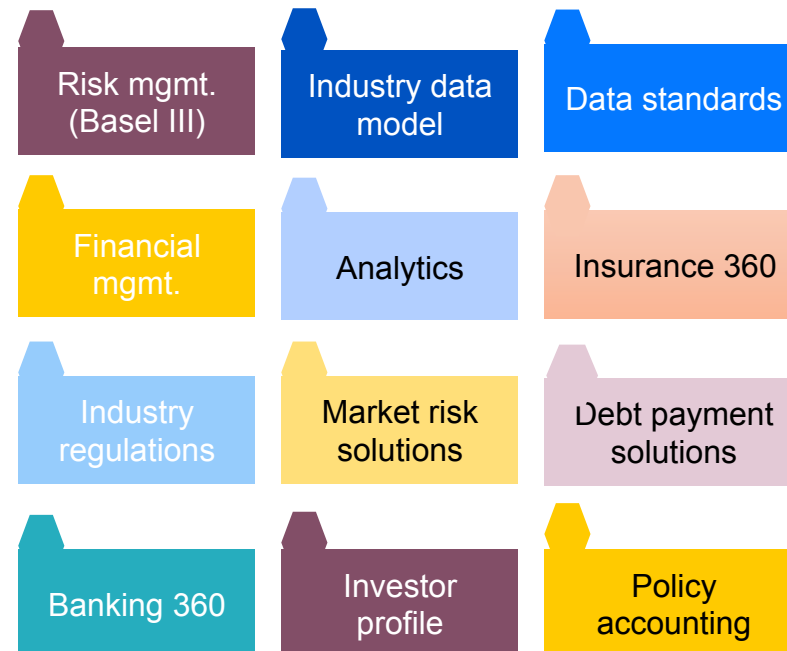
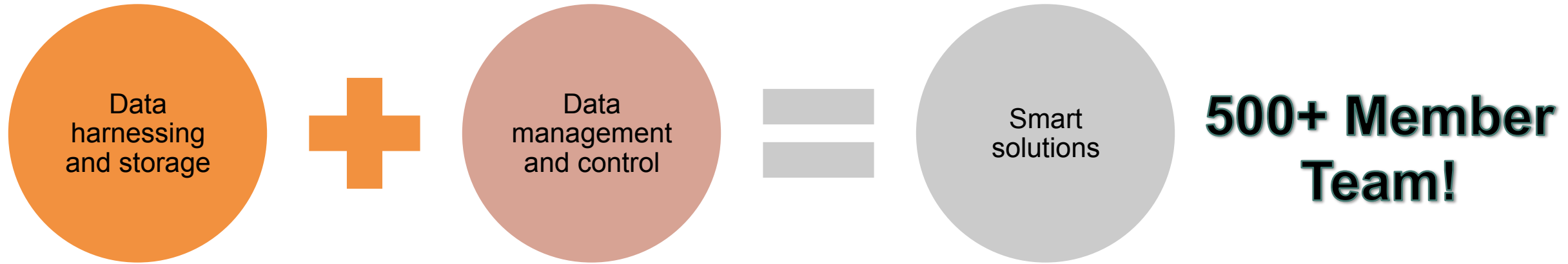
**Rcloud PaaS**

Security	APP dev.	Partnership	Operation, Maintenance
	Data exchange	APP integration	

**Azure Solution**

Security	Cloud Integration	Solutions
Basics	Mobile back-end	RemoteApp









## Key Establishment

- City big data center
- Smart city platform
- Enterprise service platform
- Internet + administrative platform
- Basic IT infrastructure
- Smart application
- Ecosystem support platform



福感

# Big Data Clients

## Financial Reg. Institute



## Banks



## Securities/Funds



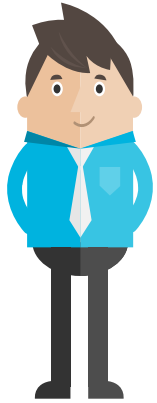
## Insurance



## Government/Enterprises



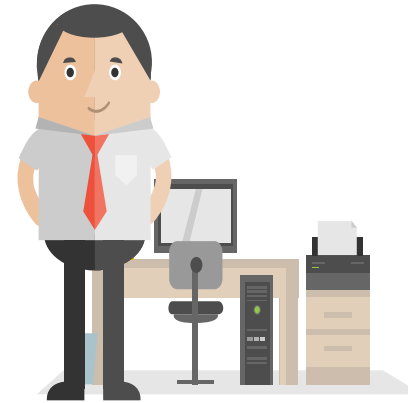




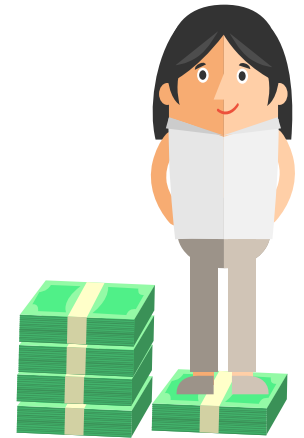
Engineers  
**130,000+**



Teams/ Companies  
**1000+/ 3000+**



Contractors  
**20,000+**



Jobs Posted  
**RMB 600 mn**

# Widespread Customer Base

## Internet + companies, state enterprises, ministries



## Tradition IT customers



## Traditional industry customers



## Start-ups



## Associations



Currently located in large cities including : Beijing, Shanghai, Guangzhou, Shenzhen, Wuhan, Nanjing, Dalian, Xi'an, Chengdu, and etc.

# INCREASE GMV!

The 4-step process:

1

**Improve business model**

2

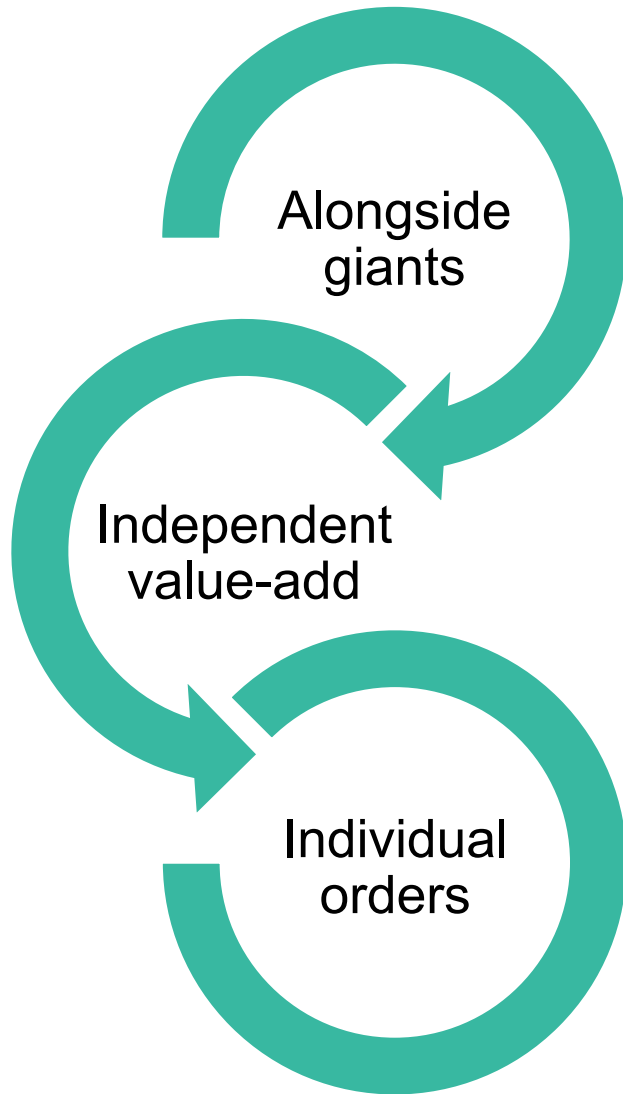
**Expand service types**

3

**Work with Huawei Cloud**

4

**Increase marketing**



Solutions and ITO services

Cloud Services

Energy, financial, telecom, and hi-tech industry

# Six New Delivery Centers Worldwide

- NA: America

- Western/ Central Europe: Hungary

- Eastern Europe/ Central Asia:

Russia

- Middle East/ Africa: India

- SE Asia: Malaysia

- Latin America: Mexico



I. 2016 Financial Results

II. Business Developments and Strategic Outlooks

III. Investment Highlights

IV: Appendixes



---

China's leading comprehensive IT solution provider

---

Well positioned in a fast growing sector in China

---

Strong revenue and profit growth

---

Long-term close partnership with China's leading corporations including Huawei, Microsoft, Ali, HSBC, Tencent, and etc.

---

Moving into next generation computing via cloud and big data

---

JointForce platform continues to gain influence and recognition

感谢 *Thanks for ...*

奋斗的青春 绽放的精彩!

奋斗为本 成就客户 创造分享 共同成长

We enjoy the  
wonderful journey

再出发





# Company Overview

Chinasoft is a large comprehensive “end-to-end” Chinese IT service provider headquartered in Beijing, but services global clients.

## TPG

Technology and Professional Services Group

- Big client+ Industry
- Well connected
- Lots of money
- High quality control businesses

## IIG

Internet IT Services Group

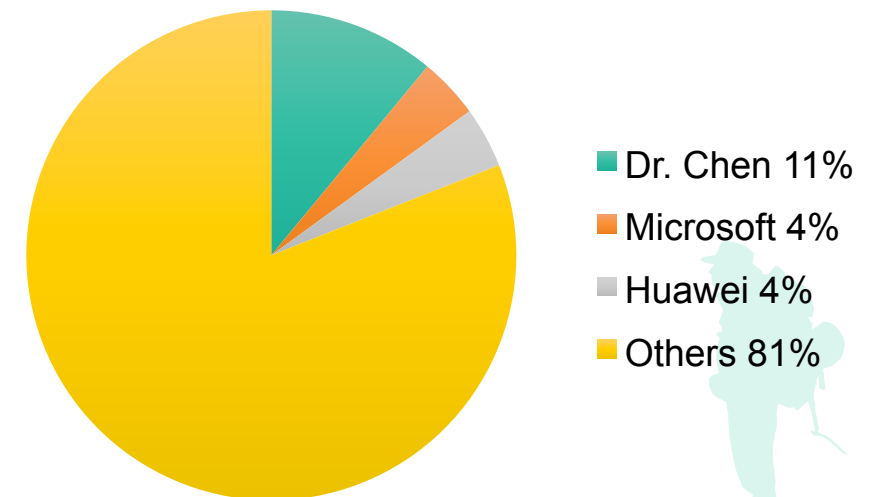
- Long-tail market
- Price sensitive businesses

18

2016 Top 100 IT Company

Established	2000
HK GEM Listing	2003
HK Main Board Listing	2008
Code	354.HK
Employee Size	47,188
Revenue in 2016	RMB 6.78 bln

## Shareholders



# Broad Blue Chip Customer Base



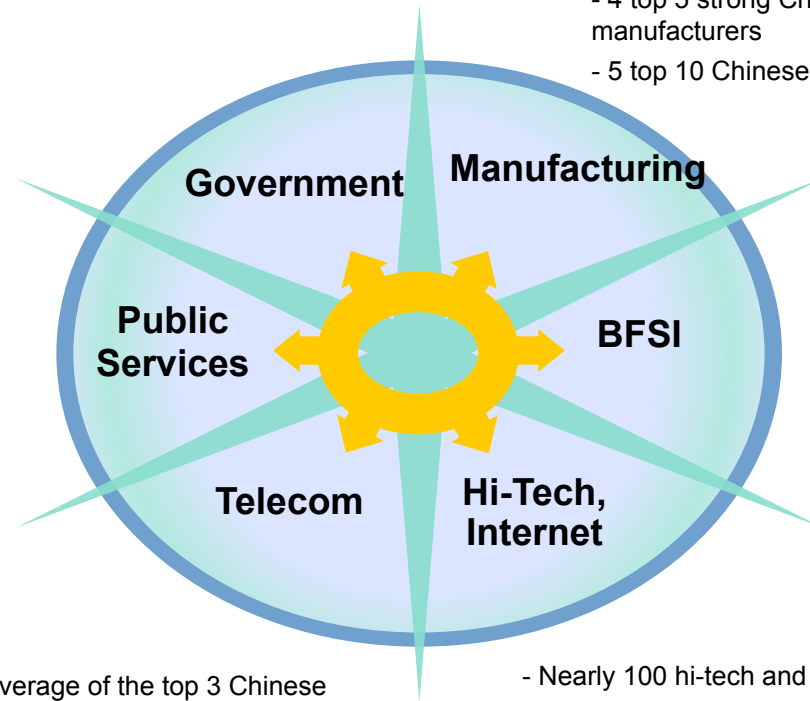
- 20 Chinese government ministries level institutions
- 6 "Twelve" Gold Project

- 100% coverage of the top 100 Chinese cigarette brands
- 2 top 3 Chinese car brands
- 4 top 5 strong Chinese machinery manufacturers
- 5 top 10 Chinese steel companies



- Shanghai
- Beijing
- Shenzhen
- Tianjin
- Chongqing
- Hanzhou
- Qingdao
- -----

- Over 30 cities
- Issued over 100 million system cards



- 100% Chinese banks
- 26 foreign banks
- 13 finance institutes



- 100% coverage of the top 3 Chinese telecom operators
- 2 top three global telecommunications equipment supplier

- Nearly 100 hi-tech and Internet companies





## Government and Manufacturing

Government IT solutions	NO.3
E-government	NO.1
Social security	NO.3
Financial market	NO.5
Quality inspection	NO.1
Audit	NO.1
Manufacturing: MES	NO.2



## Finance and Banking

Banking IT solutions	NO.6
Credit cards	NO.1
Payment and settlement	NO.3
Credit	NO.4
Counter trading	NO.2
Risk management	NO.6
Smart business and support	NO.5



## Telecom

Mobile client application development and adaptation services No.1

China Mobile's Internet base core suppliers

Huawei's largest IT services provider



## Public Services

One-card solutions NO.1

Nations first payment and settlement,

Urban rail transit ticket transfer payment system

Automatic fare collection system



## Hi-Tech

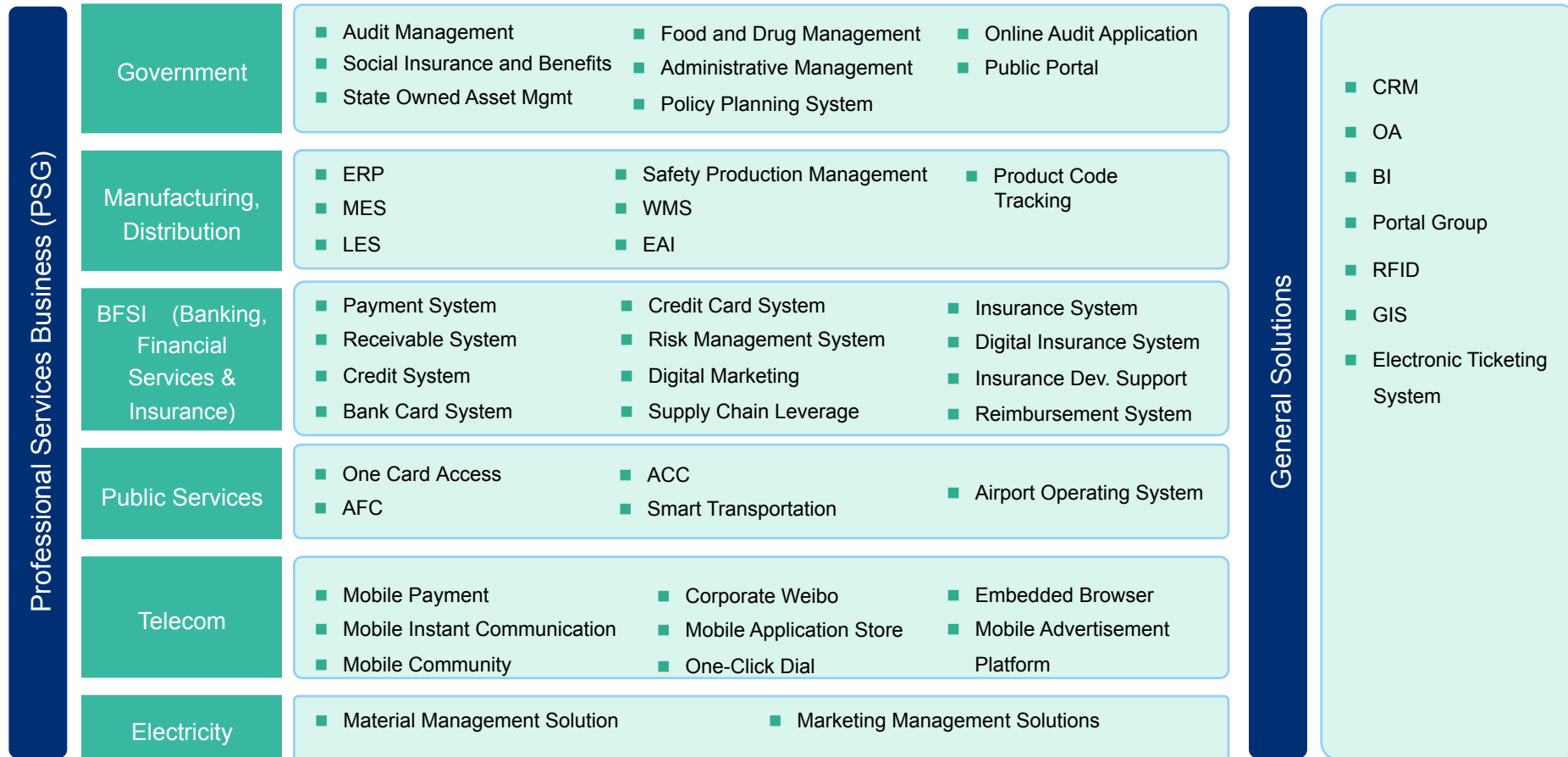
Outsourcing orders from other countries NO.3

Outsourcing orders from Europe and America NO.2

Microsoft's global chief supplier and the world's most valuable supplier

Tencent's gaming's biggest service provider

# Solution Capabilities



## Core Products

<p><u>Middleware Platform ResourceOne is Based on SOA and Cloud</u></p> <ul style="list-style-type: none"> <li>Popular in Government and Manufacturing Verticals – “trusted cloud”</li> <li>Named the Best Government Platform by CCID 5 Years In a Row</li> </ul>	<p><u>TopLink/TSA+ Platform</u></p> <ul style="list-style-type: none"> <li>Used in Union Pay, Government, and Provinces Centers</li> <li>Support Cross Regional Bank Card Online Transaction</li> </ul>	<p><u>ARK Middleware</u></p> <ul style="list-style-type: none"> <li>One-stop big data dev. platform</li> </ul>
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------

