2012 Interim Report

ChinaSoft International Limited

中軟國際有限公司*

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code:0354)

* for identification purpose only

HIGHLIGHTS

Results for the first half of 2012

Income statement highlights	For the six months ended 30 June (unaudited) 2012 RMB'000	(unaudited) 2011 RMB'000	% Increase (over the same period last year)
Revenue	**1,173,504**	945,595	24.1%
Revenue from service	**1,110,874**	852,382	30.3%
Gross profit	**360,700**	308,448	16.9%
Profit for the period	**65,437**	7,532*	768.8%
EBITDA	**141,776**	127,262	11.4%

* *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 RMB60,589K. 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.*

Statement of financial position highlights	(unaudited) 30 June 2012 RMB'000	(audited) 31 December 2011 RMB'000	% Increase
Total assets	**3,046,934**	2,947,534	3.4%
Total liabilities	**(1,119,973)**	(1,143,849)	(2.1)%
Total equity	**1,926,961**	1,803,685	6.8%

- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012.
- No closure for the Register of Members of the Company.

Business Overview

The Group is positioned to provide integrated software and information services, i.e., end-to-end IT services, including professional services, outsourcing services and training services. Among which, professional services refer to consulting services and technical services. Technical services are mainly involved in IT solutions, and outsourcing services include ITO, BPO, EPO, etc.. The Group has always adhered to the policy of technology innovation with its independent intellectual property rights as the core, and with more than 200 software copyrights and patents, such as ResourceOne (R1), the SOA middleware platform software that provides application support for industry solutions, and TopLink, the software platform product that supports big-data exchange. The Group's customers, which are located in the countries and regions such as China, the United States, Japan, Hong Kong, etc., are mainly distributed in the industries that have high growth potentials in IT services, such as government and manufacturing, finance, telecommunications, hi-tech and so on. Based on the booming Greater China market and the abundant human resources as its competitive advantages, the Group customises its products to the specifications of each individual client, and provide professional and differentiated IT services to help its customers achieve greater management and business efficiency.

1. Business Approach

The industries that the Group's business mainly covers include government and enterprises, financial services and banking, insurance and securities, manufacturing and circulation, telecommunications, public service, high technology and energy.

As IT services continue to mature, customers of different industries are looking for IT service providers that can truly understand their business and industry characteristics, and meet their specific business needs. The Group trains business analysts, consultants and engineers, and develop services and solutions that cater to different industries to meet the rapidly changing needs of its customers, thus enhancing their productivity and profitability. The Group's continued improvement of customer satisfaction has brought about the Group's continued growth of revenue. The services that the Group provides mainly include:

- Professional Services Business (PSG)
  - Strategy and Business Consulting, IT Consulting
  - Vertical Application Software and Solution Development, Integration and Maintenance
- Outsourcing Services Business (OSG)
  - Product Engineering
  - Application Development and Maintenance
  - Enterprise Application Service
  - Business, Engineering and Knowledge Process Outsourcing (BPO, EPO and KPO)
- Training Services

1.1 Professional Services

1.1.1 Our Services

Consulting services lie at the upper end of the business value chain of the Group, and over the years the Group has always been dedicated to the incorporation of consulting methodology with the information technology practices of China's enterprises. Based on the consulting-driven business model, as China's leading enterprise in the solutions field, the Group focuses on providing integrated information technology services of the industry. The Group's consulting and technology services usually take a contract-based fixed-pricing model.

(1) Strategy and Business Consulting, IT Consulting

The strategy consulting that the Group provides has specific services including industrial transformation consulting, regional economic consulting, merger and reorganizing consulting, strategy and transformation consulting, group management and control consulting, and organisational design consulting. The business consulting that the Group provides has the specific services including marketing management consulting, e-commerce transition consulting, supply chain management consulting, lean production consulting, logistics management consulting, financial management consulting, risk management consulting, business process consulting, and data analysis consulting.

The Group's IT consulting focuses on helping clients in obtaining greater value through the interaction between what drives the business and IT requirements. The Group's consulting products and services are all based on rigorous and proven scientific methods and frameworks. In the areas of business processes, technology and outsourcing, the Group first analyzes the existing environment, determine the optimizing opportunity, and then provide customers with the development path that can significantly save costs and increase productivity. The specific services the Group provides include information technology planning consulting, IT operation and maintenance consulting, information security consulting, and supervision and management of information technology construction.

(2) Vertical Application Software and Solution Development, Integration and Maintenance

The Group provides customers in a variety of industries with End-To-End process services that include industry application software and solutions. In the rapidly developing market in China, industry and corporate customers not only need technology solutions that address certain types of business problems, but also have numerous requirements for integration with other business applications. The Group uses ResourceOne application supporting platform to penetrate through the entire project cycle of "Planning – General Design – Development – Overall Integration – Operation and Maintenance," in which the integration methodology of the Group has been incorporated, including:

- In the planning and design phase, the Group dispatches appropriate industry consultants and qualified designers to understand the customer's business needs, in-depth find out the best practices of information technology, and form a business components map that can be assembled using the R1 platform and an integrated business framework.

- In the scale development and testing phase, the Group's on-site team members will work closely with the customer, keeping abreast of the customer's changing needs. At the same time the Group will transfer a large amount of development and testing to the Center of Excellence (COE) to be conducted using different professional expertise which includes Java, .net applications, cloud computing, and mobile solutions. By using the development tool of the R1 platform, COE ensures a unified technological architecture and quality, thus effectively increasing repeat usage as well as reducing development time and costs. As ResourceOne platform has been promoted and become the integration platform for many industries such as government and manufacturing, many other solutions providers in the industry also follow such integration standards in their development.

- In the application integration phase, the Group's implementation engineers will use the integration methodology of ResourceOne as well as the robust, scalable and extensible platform tools to conduct integration tests and assembling on the components of complex business applications according to their levels and categories.

- In the operation and maintenance phase, as the Group's platforms, application software and solutions have been adopted in a number of strategic industries nationwide; the Group has simultaneously completed the layout with specialised operation and maintenance teams in all key areas of China. With the more widely adoption of the Group's solutions, its operation and maintenance services are becoming steadier by the year, and the revenues continue to increase.

With years experience and the successful practice of a large number of projects, the Group has gained great industry service capability, customer service capability, regional service capability and large project service capability. Relying upon its R1 platform software, the Group focuses on process control in development and business management, while adhering to standard requirements of quality control systems ISO9001, ISO20000, ISO27001 and CMMI, fully ensuring the service quality and delivery time.

The main solutions and products that the Group provide include:

Category	Solutions and Products
Government Industry Solutions	Auditing and Supervision Management
	Social Insurance and Welfare Management
	State-owned Assets Management
	Food and Drug Administration Management
	Meteorology and Scourge Warning
	Execution Permission Management
	Government Decision Support System
	Online Applications and Approvals
	Office Automation
	Citizen Portal

Category	Solutions and Products
Manufacturing and Distribution Industry Solutions	Enterprise Resource Planning (ERP)
	Customer Relationship Management (CRM)
	Manufacturing Execution System (MES)
	Logistics Execution System (LES)
	Safety Production Management
	Warehouse Management System (WMS)
	Enterprise Application Integration (EAI)
	Goods Tracking and Tracing
Financial Industry Solutions	Payment and Clearing System
	Collection System for Credit Consumption Invoice
	Credit Management System
	Bank Card System
	Credit Card Management System
	Risk Control System
	E-Marketing
	Supply Chain Finance
	Insurance Business System
	Insurance E-Commerce System
	Insurance Exhibition Industry Support System
	Reinsurance Business System
	Image Management System
	Insurance Sales Management System
	Insurance Task Quality Analysis & Monitoring System
	Insurance Audit System
Public Services Industry Solutions	Smart Card
	Automatic Fare Collection (AFC) System
	AFC Clearing Center (ACC)
	Intelligent Transportation
	Airport Operating Management System

Category	Solutions and Products
Telecom Industry Solutions	Mobile Payment
	Mobile IM
	Mobile SNS
	Enterprise Mini Blog
	Mobile Application Store
	Push to Talk
	Embedded Browser
	Mobile Advertisement Platform
Cross-industry Solutions	Customer Relationship Management (CRM)
	Office Automation (OA)
	Business Intelligence (BI)
	Portal Website Sets
	Radio Frequency Identification (RFID)
	Geographic Information System (GIS)
	Electronic Ticket System
Middleware/ Platform Software	ResourceOne Series Products
	TopLink/TSA+ Platform

1.1.2 Business Description and Progress

(1) Government and Enterprises

As a major provider of information services to the Chinese government, the Group is heavily involved in the national e-government construction. Over the years, based on its industry experience and ResourceOne – its proprietary middleware platform software, the Group has achieved outstanding results in China's Golden Auditing, Golden Quality, Golden Insurance, Golden Agriculture (Agricultural Management and Service Information System), Golden Macroeconomic Management (Macroeconomic Management Information System) and Golden IC-Card Projects, establishing a comprehensive leading position in e-government. According to IDC market research, the Group has maintained among the top three in the overall rankings in the market of government industry solutions for five consecutive years. The Group provides its government customers with solutions such as auditing and supervision management, social insurance and welfare management, state-owned assets management, food and drug administration management, meteorology and scourge warning, execution permission management, government decision support system, online applications and approvals, office automation, citizen portals, etc. The Group's main customers include the National Audit Office, the State Food and Drug Administration, the Ministry of Human Resources and Social Security, the Ministry of Agriculture, the State-owned Assets Supervision & Administration Commission (SASAC), the Ministry of Finance, the Ministry of Housing and Urban-Rural Development, the

Ministry of Environmental Protection, the Ministry of Transport, the General Administration of Quality Supervision, Inspection and Quarantine, the General Administration of Press and Publication, the China Meteorological Administration, the Civil Aviation Administration of China (CAAC), and the State Administration of Foreign Exchange.

During the reporting period, the Group maintained its leading position as a service provider in the auditing industry. The Golden Auditing Project II was fully accepted and received after examination. Currently, the final examination for 29 provinces and 5 cities on the proposal list had been completed. The National Audit Office also started to move on to the Golden Auditing Project III in certain provinces. Liu Jiayi, the Chief Auditor of the National Audit Office, spoke highly of the construction of the Golden Auditing Project II, "the construction of the Golden Auditing Project has played an irreplaceable role in improving efficiency and quality of auditing." The Group was awarded the tender for "Early Warning System for National Public Emergencies", a core application system for the China Meteorological Administration. The system is one of the 12 major projects in the meteorological industry under the 12th Five-Year Plan and it is of high influence in the community. In addition, the Group achieved coordination and connection between national projects and local projects by obtaining the tender for "Early Warning System for Public Emergencies" in a city in northern China, which laid a foundation for the promotion of local commercialization nationwide. The Execution permission and approval project of Environmental Protection Bureau in a province in Central China started its trial run, which materialized extranet reporting, private networking reporting and communication with reporting countries in terms of construction and management and laid a foundation for the future promotion across provinces and cities in the whole nation.

(2) Manufacturing and Circulation

After years of efforts, the Group's manufacturing business now covers tobacco, machinery, automobile, steel, pharmaceutical, printing, etc. As a strategic partner in tobacco industry information services, the Group occupies a leading position among many IT service providers. The Group provides its customers in the manufacturing industry with application software and solutions development, integration, and operation and maintenance services such as ERP, CRM, Manufacturing Execution Systems (MES), Logistics Execution Systems (LES), Safety Production Management, Enterprise Application Integration, Warehouse Management System, and Goods Tracking and Tracing. The Group's main clients include China National Tobacco Corporation, SinoSteel, Pfizer Pharmaceuticals Limited, China Banknote Printing and Minting Corporation and Harbin Electric Machinery Company Limited.

During the reporting period, the Group maintained its top rank position for its market share in the MES (Manufacturing Execution System) area and was awarded the tender for MES system for a tobacco company. The Group was also awarded the 12th Five-Year IT Planning Project from another tobacco factory, which showed an unparalleled breakthrough in IT planning at factory level in the tobacco industry and would be a great typical example for promotion. The Group was also awarded the tender for Management Information System Project on Internal Control on Tobacco Monopoly of State Tobacco Monopoly Administration, which made it the pioneer in the establishment of internal control system for tobacco monopoly and tobacco monopoly system. The MES System Project of a banknote printing company was well received after examination, which serves as an important reference and demonstrator for MES establishment and experience output in the banknote printing industry and provides the business development opportunity in the banknote printing industry in the future.

(3) Financial Services and Banking

The Group provides its customers with solutions based on secure payment through its professional services and proprietary payment platform product TopLink. The Group offers customers in the finance industry solutions such as payment and clearing system, credit management system, bank card system, credit card management system, risk control system, electronic marketing, business intelligence, and professional financial IT services. According to IDC market research, the Group was ranked among the top five for many years in the payment and clearing solutions market of the banking industry, and had been ranked first in bank card system market in 2010. The Group's major customers include China Construction Bank, Agricultural Bank of China, Postal Savings Bank, Bank of Communications, China CITIC Bank, China Guangfa Bank, China Minsheng Bank, Ping An Bank, Shanghai Pudong Development Bank, Industrial Bank, many joint-stock commercial banks, city commercial banks, and foreign financial institutions in China.

During the reporting period, the Group executed contracts with Guangfa Bank, Ping An Bank and a dozen of urban commercial banks for financial IC Card, maintaining it superior position by accounting for the largest market presence. Regarding the key supply chain financial platform products among emerging credit products, the Group was awarded tender from and signed contracts with Pufa Bank and Minsheng Bank following Bank of Communications and Guangfa Bank, which further strengthened the leading position of Chinasoft International in the trading and financial market.

(4) Insurance and Securities

The Group has maintained a major presence in the financial industry for many years. With the experience in the payment and clearing system, enterprise management and risk control, the R&D, implementation and application on business intelligence software and in light of the market demand for management informationalization in the current insurance and securities industry, it launched management solutions for the insurance and securities industry.

In insurance sector, after years of services, product capability building and client needs exploration, the Group has established a industrial consultation team and stable partnership with 22 important enterprises. Building on its experience in products and solution in insurance sector, the Group is committed, making advantage of its R1 platform, to improving the multiplying use of products, forming knowledge base accumulation and professional pre-sale technical support team, and gradually reducing the delivery cost of projects along with the increasing development of products. At present, the Group has initiated research and development on various sets of products, which have been put into use by different kind of customers.

During the reporting period, the Group 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. The Group also signed a strategic framework agreement with a life insurance company in China and became strategic partners. Leveraging on the professional capability on BPM in the insurance industry, the Group successfully became a major service provider for another life insurance company in China. 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, which laid a solid foundation for our deployment in the securities industry.

(5) Telecommunications

The Group is one of the early service providers in wireless internet platform design, development and operation, also one of the largest professional service providers in application development and adaptation for mobile clients. As a trusted partner of China's telecommunications operators and equipment makers, the Group provides its customers with product design & development and operation & promotion services such as mobile payment, mobile instant messaging, mobile SNS, enterprise mini blog, mobile application stores, PTT (push to talk intercom phones), embedded browser, mobile advertising platform, etc. The Group's major customers include world's leading telecommunications equipment provider in China: China Mobile, China Unicom, and China Telecom; these clients fully recognise the Group's service capabilities, attitude and quality; they have awarded the Group more cooperation projects while they are experiencing rapid growth in their own business. At the same time, the Group has worked closely with its customers to develop overseas markets by using their resources.

During the reporting period, the Group was awarded the "Mobile Business Travel Project" of China Mobile Design Institute, which established an internal e-commerce platform for business travel and developed a client terminal for the entire China Mobile Group. This product will also be promoted to public users. The Group cooperated with a world-leading information and communication solution provider on product collaboration. Through this project, telecommunication operators worldwide will be provided with mobile internet and communication-integrated platform and mobile client products.

(6) Public Service

After years of accumulating professional experiences, the Group is in a leading position in the public transportation areas such as public transport, rail transit and airport management. The Group provides customers in the transportation industry with solutions and professional application integration, operation and maintenance services such as Smart Card, Automatic Fare Collection system (AFC), AFC Clearing Centre (ACC), intelligent transportation, and airport operation management system. The Group's smart-card-type solutions enjoy the largest market share in China, which have been adopted by nearly 30 cities. More than 100 million cards have been issued throughout the network systems. The Group's major customers include Shanghai Metro, Guangzhou Metro, Shenzhen Metro, Suzhou Rail Transit, Chongqing Rail Transit, Ningbo Rail Transit, and Shanghai Pudong Airport.

During the reporting period, the Group 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. Solutions and experience from the project can apply to various provinces and developed places and cities, which showed a favourable prospect. The core system/frontline system of a e-payment card operation company in a major city in Southeast China was successfully launched.

(7) Energy

Through years of experience in corporate control, ERP, supply chain management, management services, etc., the Group targets at strengthening the macro-management of enterprises engaging in the provision of electricity and oil in the energy industry, enhancing the overall requirement on corporate control, which allows it to partially enter into the core business system and management information system in the energy industry. Regarding the energy industry, the Group insists on its philosophy of "enhancing customer's value" and established cooperation with five major enterprises in segmented industries, such as electricity generation, electricity grid and oil field, together with related cooperative partners, and involved in providing special IT solutions, corporate project management, management service IT solutions, etc. Leveraging on its "end-to-end" service capability and continuously making use of the overall requirement for the industry in the macro economy, the Group laid a solid foundation for the systematization of its customers in the energy industry with the support of a professional team and an excellent operation system. Currently, the Group signed cooperative agreements with two IT solution partners and commenced overall design and development works for a dozen of projects with its customers.

1.2 Outsourcing Services

1.2.1 Our Services

The Group is committed to provide global customers with complete, flexible, and scalable high quality IT outsourcing services. With experienced management and technology specialists as well as a variety of delivery models, the Group is able to adapt to the changing business and technologies. At the same time, with the help of the extensive training resources at its Excellence Training Centers (ETCs), the Group can integrate the needs for skilled consultants across customers of various industries, so as to provide customers with high-quality, low cost outsourcing services. The Group's outsourcing services typically take the pricing model based on time and raw material cost.

(1) Product Engineering

The Group provides product engineering services to technology product development companies, including independent software vendors and telecommunications equipment developers. The Group's capability of fast delivery can help customers improve the speed of product development, save development costs, thus gaining the time advantage in marketing their products.

The products that the Group has developed include operating system, database, middleware, network protocol, speech recognition and human-machine interface, telecom value-added applications and other software products. The Group can also provide specialised products and services, including product design, development, and quality assurance and testing.

(2) Application Development and Maintenance

To specific customers the Group offers application development and management services such as application software development, system maintenance and system optimisation, based on the needs of industry customers. The Group's ADM services were designed to help customers realise the scientific management of IT outsource spending, enabling customers to focus more on their core competencies.

The Group has experienced and well-structured ADM service teams in application environments such as mainframe computers, client/server, internet and mobile internet, as well as a variety of platform software programs including various mainframe system, Windows series, Linux/Unix and Android, Symbian, IPhone OS, etc. The Group can deliver the ADM services in its Centers of Excellence (COE) or at customer sites.

(3) **Enterprise Application Service**

The Group provides enterprise application services based on consultation. While keeping standard functions of system application unchanged, the Group takes into consideration of differences in needs for personalisation of enterprises, considers managerial needs, proposes an application service solution meeting their needs, and enhances management quality of enterprises, allowing customers to realise goals of supporting business of enterprises.

The Group's enterprise application services cover a number of mainstream ERP systems and e-business packages, including enterprise resource planning (ERP) systems, customer relationship management (CRM), supply chain management (SCM), enterprise application integration (EAI), etc. Specific services provided by the Group include: packaged software implementation, customised development, maintenance and product upgrades, business intelligence (BI)/data warehouse (DW).

(4) **BPO, EPO and KPO**

The Group offers BPO, EPO and KPO services from different fields including finance, manufacturing, medical and healthcare, transportation and logistics, targeting markets in Japan, Europe, America and the Greater China regions. The Group controls and manages service quality and costs through synchronised integration of technology, personnel and processes. The Group's very experienced operation management personnel customise service processes for enterprises, effectively helping the customers improving their competitiveness, saving time and reducing costs.

The Group provides customers with multilingual BPO, EPO, KPO services, including back office processing, shared service centers, data processing, desktop publishing (DTP), CAD, Call Centers, business intelligence and data mining.

1.2.2 Business Description and Progress

The outsourcing business of the Group serves clients from the Europe, the U.S., Japan, Korea and Greater China with comprehensive and personal services. Its Centers of Excellence (COE) all over the world have realised flow-line standardised delivery. Accordingly to IDC, the Group is among the top four for the overall market of off-shore outsourcing in China, among the top two in the market segments in Europe and America. The Group was awarded "Top 100 Outsourcing Service Providers in the World" for four consecutive years by IAOP (International Association of Outsourcing Professionals). The Group provides its customers in the hi-tech industry with services including product engineering, application development and maintenance (ADM), enterprise application services (EAS), and BPO and KPO services. The Group main customers are Microsoft, IBM, Pfizer (from the Europe and the U.S.), NEC, Hitachi, and Panasonic (from Japan and Korea), Huawei, Tencent, Pingan (from Greater China). The Group serves as the first "Global Premier Vendor" of Microsoft Corporation in China.

During the reporting period, the Group provided comprehensive services to a top Chinese e-commerce enterprise. This was a remarkable breakthrough in the internet and e-commerce area that laid a foundation for core providers within the e-commerce industry chain. The Group also deepened its cooperation with a premier online travelling service company to establish internet solution capability in the tourism vertical. The Group conducted local test and engineering for an important product for a major IT product company, covering 20+ dominant languages and 60+ LIP languages. The Group provided 24*7 online technical support services for the cloud product of a client. The Group's business at a well-known Japanese housing constructor also recorded a steady growth with a bright prospect going forward. In the backdrop of a steady business growth of a personnel recruitment magazine enterprise, it provided new personnel services, which represented an important milestone in the expansion of high to mid-end BPO business. As a milestone of financial outsourcing business, the Group successfully signed a contract with Seven Bank of Japan.

During the reporting period, the joint venture with Huawei officially began and started operation. The establishment of the joint venture will quicken the pace to create an environment for service outsourcing industry nationwide, enhancing competitiveness of China's software service outsourcing industry in international market. In addition, the Company was awarded "2011 Microsoft Preferred Supplier Program Excellence Awards—Value Excellence Award" by Microsoft's headquarter. The award is one of the most authoritative, challenging and powerful, which represented the recognition by Microsoft's headquarter and their intention to maintain a long-term strategic partnership with outstanding providers. Sony Mobile's business achieved the first rank in KPI assessment for providers.

1.3 Training

The Group's Excellence Training Center (ETC) is a practical training base of computer technology for college students, as certified by the Ministry of Education of China. It is one of the industry's leading brands for mid- to high-end IT training. Through cooperation with colleges and universities, practical training based on real positions and projects are provided for college students with majors in computer sciences or other related areas. Practical training courses for these prospective employees adopt the 5R (Real Working Environment, Real Project Managers, Real Training Projects, Real Work Pressure, Real Job Opportunities) curriculum as the platform, including practical training in technical projects and professional quality training, striving to turn the trainees into practical IT talents through tests and assessments in the shortest possible time. So far, the Group has established training centers in Beijing, Tianjin, Dalian, Changsha, Wuxi, Chongqing, Xiamen, and Nanjing.

As a human resources supply platform, based on many years experiences of providing customised training to employees for large enterprises, ETC's business model has become increasingly mature. With its excellent partnerships with colleges and universities, a large number of student resources, and the recruiting channels that cover the entire country, the Group is able to quickly customise a human resources pool according to the needs of the customer. Meanwhile, in order to quickly respond to and meet the Group's clients' requirements for customised training, ETC has achieved the capability of delivery upon confirmed orders by employers through the construction of menu-style standardised customised curriculum system consisting of the business characteristic module, the practical virtualization module, and the vocational skills and quality module.

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. The participating ministries include the Ministry of Education, Ministry of Commerce, and Ministry of Industry and Information Technology, and the participating colleges include Beijing Jiaotong University, Beijing Industrial University, Harbin Institute of Technology and

University of Electronic Science and Technology of China. The Group had the largest number of cooperated colleges among this elite batch of companies. Regarding the Internet of things and mobile internet, the Group constructed and jointly built laboratories, technology R&D centers with 11 colleges, including Beijing Jiaotong University, Tianjin University, Taiyuan University of Technology and Nanjing University of Aeronautics and Astronautics in order to start collaboration on new profession approval and jointly-built projects. Regarding this area, the Group jointly organized training for "young backbone tutors" nationwide with Office of National Demonstration School of Software of Ministry of Education. In the teaching area, the Group was approved as the cooperative enterprise of "2012 National Tutor Training for Vocational Education" and participated in national training program on the Internet of things and mobile internet for tutors of higher technical and vocational education.

2. Competition and Core Strength

2.1 Highly Competitive Industry Experience

The Group has many years of accumulated experiences in consulting, technology services and outsourcing services, and deep-level expertise in serving the main industries such as government and manufacturing, finance, telecommunications, hi-tech, which more heavily rely on IT services. The Group has formed more than 50 standardised industry solutions, with over 200 software copyrights and a variety of patents, all of which helped to establish its leading position in the industries and areas.

2.2 End-to-end Service Model

The foundation for the Group's continued and steady business growth was formed with the end-to-end business model that has integrated consulting, technology services, outsourcing and training into a single system. The Group offers customers consulting services combined with its industry experience, seek to have breakthroughs driven by consulting, help customers truly solve their problems through technology services, and provide outsourcing services according to customer needs. Cross-selling of different services to the same customer improves customer loyalty.

2.3 Global Delivery Capability

The Group has the ability for global service, with a quick response mechanism in place for business deliveries in different parts of the world such as China, the United States and Japan. Fully leveraging the industry knowledge and experiences gained from serving its global customers, the Group also achieves its business development in domestic market, while helping overseas customers to enter the market in China. Through the enhanced interaction of markets at home and abroad, the Group also increases the rate of successful contract signing and its capabilities of industry service, further consolidating its relationship with customers, leading to strategic partnerships with a variety of customers.

2.4 Strengths in Technology Innovations

The Group's R1 platform product benefited from many years of practical experiences in the industry's information technology, integrating CMMI, ISO9000, RUP, and agile development theory, using SOA architecture and technologies (including PaaS and SaaS), supported by cloud computing applications. It is an excellent tool for industry managers' to perform business application integration and IT system expansion when they are faced with complex management targets. The R1 platform has three tiers of capabilities: the first tier is its structuring capabilities consisting of complete platform-based integration of middleware components; the second tier are the R1's project management methods and tools; and the third tier is the capability for rapid development as represented by R1 BizFoundation. Through these three-tiered capabilities, component reuse is strongly supported and development cost is reduced, while the Group's gradual accumulation of the ability to turn out ERP software and form application products can be obtained through the R1 platform.

R1 has made effective progress in the field of cloud computing. Combined with the technologies of parallel computing, distributed computing and virtualization, R1 has increased the high-performance process capabilities of mass data, and started to play a role in industry application. By integrating extended support of mobile internet and mobile terminal in cloud computing architecture, the newly launched R1 Enterprise Application Mobile Support provides cloud and mobile terminal integration platform support, through which enterprises can quickly customize mobile application capability based on R1 cloud services. R1 has led an advantage in industry application.

As one of the industry's widely used support platforms, R1 enjoys a wide range of applications and a great number of successful cases in government, manufacturing and other fields and industries. A number of national and industry level projects that have been successfully implemented are proof that, overall consulting/design, separate development and overall integration using the R1 platform can ensure success and good results of the construction of an entire large engineering system.

2.5 Excellent, Stable Workforce and Strong Platform for Talent Supply

As of 30 June 2012, the Group had 17,053 employees, mainly distributed in regions such as China, Hong Kong, Japan, the United States, and the United Kingdom. Among which, project managers, senior technicians and consultants accounted for one tenth (1/10) of the total number of technicians. This elite group has outstanding IT skills, extensive management experience, deep industry knowledge, and most of them had worked in the Group for more than five years, fully identifying themselves with its corporate culture. Meanwhile, in order to maintain the stability of the Group's core staff, the Group has developed a clear mechanism for talent promotion, and also incentive and training programs.

The Group collaborates with 400 universities and educational institutions, with its ETCs established in Beijing, Tianjin, Dalian, Changsha, Wuxi, Chongqing, Xiamen, Nanjing, and Xi' an. The Group also developed practical training courses customised to the specifics of the Group's business department. The business department can participate in course design, process tracking and evaluation, select high-quality students from the large training resource pool to ensure a steady stream of practical talent supply.

2.6 A Win-Win strategic cooperation

The Group established a comprehensive cooperation on various aspects, such as investment and business, with a number of world-class strategic partners. This has allowed the partners to share client resources and finally achieve a win-win situation. In the middle of 2011, Legend Group's Hony Capital became a substantial shareholder of the Group. As a major commercial source for information technology to Hony Capital and its invested enterprises, the Group will become the core enterprise and act as an integrated platform for Hony Capital to make investments in the information technology area in the future; in the same year, the Group and Huawei entered into a strategic cooperation agreement, pursuant that both parties would establish a joint venture company in 2012, aiming at building a business process and IT outsourcing service company that will get a foothold in the PRC and serve the globe.

3. Business Strategies

The Group's goals are to maximise shareholder value, and constantly consolidate and enhance its leading position as a provider of consulting and technology services, and outsourcing services. To achieve these goals, the Group implements the following core strategies:

3.1 Focus on Future High-Growth Areas and Continued to Increase Revenue

Develop key directions in the "Twelfth Five-Year Plan" to expand service directory, and increase regional distribution. The Group will continue to make investment in the knowledge-intensive services and areas with IT high-growth potentials, such as social security, agriculture, electricity, insurance, and large state-owned enterprises, as set forth by the Twelfth Five-Year Plan (2011-2015) of the national economic and social development. The Group's business revenues will continue to grow based on the strengths of its existing layout. The existing revenue structure will be further optimised and revenues will increase through the construction of the capacities of high-end ITO (e.g. Managed Service) and high-end BPO services, and further development in the Asia-Pacific region.

Provide software services to the world through the increase in market shares in telecom industry. According to IDC's "China Telecom IT Solution 2011-2015 Forecast and Analysis" the compound annual growth rate of telecom industry IT solutions will increase at 12.3% during 2011-2015, and by 2015 will reach a scale of more than RMB21.58 billion. Meanwhile, with the rapid development of mobile applications and telecom carriers continuing to increase network bandwidth, telecom value-added services and mobile internet market have brought huge business opportunities. As an IT services provider for China's major telecommunication operators, telecommunication equipment manufacturers and internet companies, the Group focuses on developing telecom value-added services and mobile internet business, in order to obtain the scale growth of revenue in this area. Meanwhile, the Group continues to expand the software outsourcing and solutions business globally in the industry by cooperating with major enterprises that engage in the telecom field.

Seek strategic acquisitions, joint ventures, alliances to improve business deployment and enhance competitiveness. The Group believes that selective strategic acquisitions can help expand its business coverage amid the rapid growth in the demand for IT services in the PRC and all over the world to improve its business deployment, enhance its competitiveness and capture opportunities in the market.

3.2 Explore business potential, strengthen enterprise management, reduce operating costs, and further improve profitability.

Expand the ratio of services with higher gross profit margins. The Group believes that consulting and technology services are high value-added business, and the Group will continue to concentrate and improve its strength in these areas, and increase the Group's gross profit margin by improving the repeat usage of its solutions. Meanwhile, the Group's gross profit margin can also be increased through improvement of business ratio of its high-margin customers.

Enhance the Group's operation. The implementation of ERP (enterprise resources planning) systems will improve the Group's human resources, finance, sales and procurement processes, increase efficiency, improve the Group's operations and management, and save administrative costs.

Establish delivery centers in third-tier cities. As the number of customer grows, the Group continued to set up delivery centers in third-tier cities in China in order to lower labor costs.

4. Business Development History

The Group was incorporated in February 2000, headquartered in Beijing. The Group's main business was to provide government customers with system integration and customised software development services. In the same year, the Group introduced its proprietary application support platform ResourceOne V1.0. In 2002, Chinasoft International was awarded as the sole service provider of the e-government construction projects in China's top five Economic and Technological Development Zones (Tianjin, Dalian, Harbin, Beijing and Guangzhou), and later was contracted for the construction of office automation projects for the National Audit Office, the Ministry of Transport, the Ministry of Agriculture, the Ministry of Civil Affairs, the Ministry of Construction, and many more.

In 2003, the Group became a public company with its IPO on the Growth Enterprise Market of the Hong Kong Stock Exchange. Supported by the capital platform, the Group adopted a new development model of organic growth together with growth through mergers and acquisitions, leading to rapid growth in both performance and size. The Group's service industries expanded from government to government-led large-scale manufacturing, and the Group gradually underwent a transformation from a traditional distributor and integrator of hardware and software to a solutions provider. At the same time, it adhered to independent research and development, upgraded ResourceOne to V3.0 based on the SOA architecture, and successfully promoted it to multiple vertical industries.

In 2005, the Group kept pace with the changing times by entering the IT outsourcing area with enormous efforts, successfully purchased and integrated Chinasoft Resources Information Technology Services Limited, established strategic partnerships with top international enterprises such as Microsoft, and set up subsidiaries in the United States. Later the Group also acquired Powerise International Software Co., Ltd., extending its ITO business to the Japanese market. With the booming ITO business, the Group took strong strides from the domestic market toward the broader overseas market.

In 2007, the Group completed the acquisition and integration of Hinge Global Resources, thus extended its service industries to financial, transportation and other important areas and adding specialised BPO services. With its comprehensively developed technique advantages and industry position, the Group became a top SOA partner of International Business Machines Corporation (IBM), and together to build the Group's SOA Innovation Center. The Group's Excellence Training Centers (ETCs) set up practical training bases, in Beijing, Changsha, Dalian, Wuxi, Chongqing, Xiamen, Tianjin, and Nanjing, each with an area of 1000-5000m^2, with the annual training capacity reaching over 10,000 people. In 2008, the Group successfully upgraded its listing from the GEM to the Hong Kong Stock Exchange Main Board (stock code: HKSE.354).

In 2010, Han Consulting joined us, significantly strengthening the Group's front-end consulting capabilities. So far, the Group has initially completed its end-to-end layout under which IT consulting, technology services, outsourcing services, and training have been unified. In the same year, the Group entered the telecom and mobile internet industries through acquisition of MMIM Technologies, Inc. This emerging market will become a key engine for the strategic transformation of its business.

In 2011, the Group introduced Hony Capital as a strategic investor and formed a strategic partnership. the Group will carry out integration in the information service business as an enterprise that is used as a platform. This made the Group being a world-class leading enterprise with a rapid growth in the information technology services area. In the same year, the Ten-Thousand-Staff Base of the Group is located at Software New City in Xi'an High-Tech Zone. The Group will continue to build a platform for the enterprise and strive for being the industrial integrator in the information technology and software services area in China in the future. As of 2011, the Group employed almost 15,000 people, with business extended to Central America, South America, UK, India, Africa, Southeast Asia and the Middle East. The Group also set up branch companies or offices in more than 20 cities in the world, including mainland China, Hong Kong, the United States, Japan, and Europe, forming a global delivery capacity.

KEY OPERATING DATA

Key data (unaudited) presented based on the consolidated statement of comprehensive income are as follows:

	First half of 2012 RMB'000	First half of 2011 RMB'000	% Increase (over the same period last year)
Revenue	**1,173,504**	945,595	24.1%
Service Revenue*	**1,110,874**	852,382	30.3%
Cost of sales	**(812,804)**	(637,147)	27.6%
Gross profit	**360,700**	308,448	16.9%
Other income, gains and losses	**18,364**	18,529	-0.9%
Selling and distribution costs	**(65,242)**	(64,654)	0.9%
Administrative expenses	**(193,283)**	(150,689)	28.3%
Allowance for doubtful debts	**(172)**	(1,880)	-90.9%
Amortisation of intangible assets	**(23,826)**	(24,766)	-3.8%
Finance costs	**(14,260)**	(10,572)	34.9%
Share of results of associates	**258**	1,393	-81.5%
Profit before taxation	**82,539**	75,809	8.9%
Taxation	**(17,102)**	(15,220)	12.4%
Profit for the period*	**65,437**	60,589	8.0%
+Taxation	**17,102**	15,220	12.4%
+Finance costs	**14,260**	10,572	34.9%
+Depreciation of property, plant and equipment	**21,409**	17,508	22.3%
+Amortisation of intangible assets	**23,826**	24,766	-3.8%
–Share of results of associates	**258**	1,393	-81.5%
EBITDA**	**141,776**	127,262	11.4%
+Share option expenses	**3,626**	9,235	-60.7%
+Net foreign exchange (gain) loss	**23**	363	-93.7%
+Provision for doubtful debts	**172**	1,880	-90.9%
Business contribution profit**	**145,597**	138,740	4.9%

Note*: For the service revenue, please refer to the part on "revenue" in "operating results" below for detailed analysis.

Note**: EBITDA and business contribution profit (EBITDA excluding share option expenses, net foreign exchange (gain) loss and provision for doubtful debts) are the true reflection of the business' earnings capability. Please refer to the part on "earnings capability" below for detailed analysis.

Note***: Profit for the period means the net profit excluding the changes in fair value of redeemable convertible preferred shares.

GENERAL OVERVIEW

The growth in key operating data of the Group for the first half of 2012 is set out as follows:

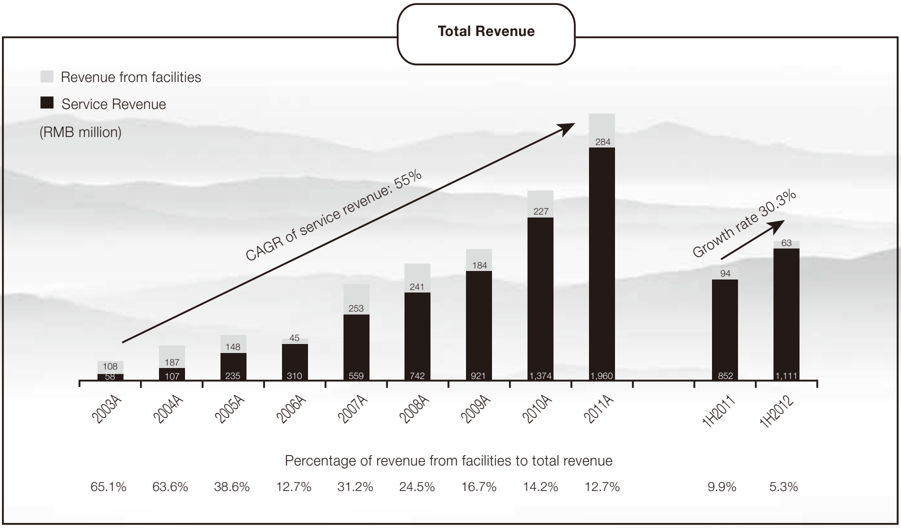
RMB'000	First half of 2012	First half of 2011	Growth rate
Revenue	1,173,504	945,595	24.1%
Service Revenue	1,110,874	852,382	30.3%
EBITDA	141,776	127,262	11.4%
Business contribution profit	145,597	138,740	4.9%

The growth in revenue, service revenue and results by business line for the first half of 2012 is set out as follows:

RMB'000	Revenue			Revenue from Service			Results		
	First half of 2012	First half of 2011	Growth rate	First half of 2012	First half of 2011	Growth rate	First half of 2012	First half of 2011	Growth rate
Professional Services Business (PSG)	587,908	493,384	19.2%	525,278	400,171	31.3%	55,134	48,294	14.2%
Outsourcing Services Business (OSG)	551,124	422,823	30.3%	551,124	422,823	30.3%	61,576	53,142	15.9%
Training Business	34,472	29,388	17.3%	34,472	29,388	17.3%	1,325	1,202	10.2%
Total	**1,173,504**	**945,595**	**24.1%**	**1,110,874**	**852,382**	**30.3%**	**118,035**	**102,638**	**15.0%**

Note: "Results" refer to the profit earned/loss incurred prior to distribution of impairment loss recognised on goodwill, corporate expenses, share-based payment and loss arising from fair value change of redeemable convertible preferred shares, and other income, gains and losses recorded at the Group level. (Extracted from note 3 to the consolidated financial statements)

Since the listing on the Growth Enterprise Market in 2003, the Group's revenue and service revenue have maintained rapid growth, recording a CAGR of 38% and 55% over the period from 2003 to 2011 respectively. The Group's service revenue for the first half of 2012 recorded 30.3% year-on-year growth. The details are set out as follows:



Customers

For the first half of 2012, service revenue from the top five customers accounted for 36.7% of the Group's total service revenue, while service revenue from the top ten 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.

Market

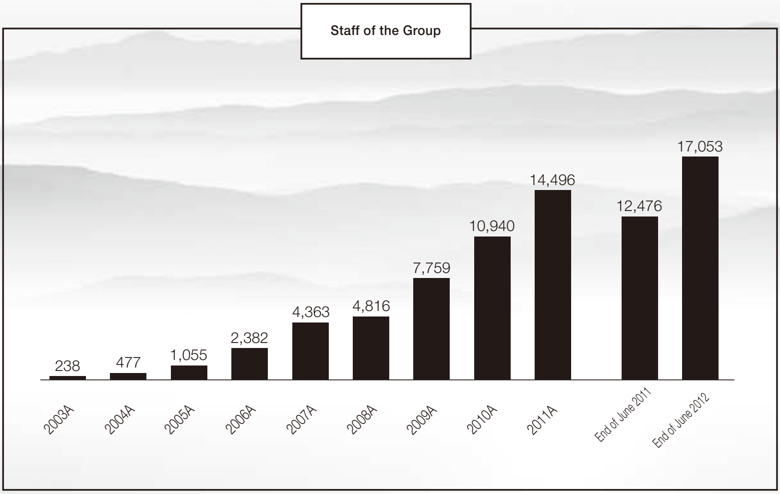
The Group operated its businesses mainly in Greater China.

In the first half of 2012, the Group continued to set Greater China market as an important sector for development. China's strong economic growth and the immense market potentials embedded in Greater China led to long-term growth opportunities for the Group. At the same time, several of our large multinational corporate customers also expressed to set China as the most crucial part of their global layout, which was a clear indication of their confidence in the Chinese economy and the rare development opportunities for our businesses.

Human Resources

As of 30 June 2012, the Group had a total of 17,053 employees, representing an increase of 36.7% over 12,476 employees as of 30 June 2011.

Since the listing on the Growth Enterprise Market in 2003, the size of the Group's personnel has maintained rapid growth. The details are set out as follows:



Earnings Capability

In the first half of 2012, the Group's EBITDA was RMB141.776 million (first half of 2011: RMB127.262 million), representing a growth of 11.4% over the same period of previous year. Details of profit for the period to EBITDA reconciliation are set out as follows:

RMB'000	First half of 2012	First half of 2011	Growth rate
Profit for the period	**65,437**	**60,589**	**8.0%**
+Taxation	17,102	15,220	12.4%
+Finance costs	14,260	10,572	34.9%
+Depreciation of property, plant and equipment	21,409	17,508	22.3%
+Amortisation of intangible assets and prepaid lease payments	23,826	24,766	–3.8%
– Share of results of associates	258	1,393	–81.5%
EBITDA	**141,776**	**127,262**	**11.4%**

In the first half of 2012, the Group's business contribution profit was RMB145.597 million (first half of 2011: RMB138.740 million), representing a year-on-year growth of 4.9%. The ratio of business contribution profit margin to revenue was 12.4% (first half of 2011: the ratio of business contribution profit margin was 14.7%), representing a decrease of 2.3% over the same period of the previous year; the ratio of business contribution profit margin to service revenue was 13.1% (first half of 2011: the ratio of business contribution profit margin was 16.3%), representing a decrease of 3.2% over the same period of the previous year. Details from EBITDA to business contribution profit are set out as follows:

RMB'000	First half of 2012	First half of 2011	Growth rate
EBITDA	**141,776**	**127,262**	**11.4%**
+Share option expenses	3,626	9,235	–60.7%
+Net foreign exchange (gain) loss	23	363	–93.7%
+Allowance for doubtful debts	172	1,880	–90.9%
Business contribution profit	**145,597**	**138,740**	**4.9%**

OPERATING RESULTS

The following chart sets out the Group's consolidated statement of comprehensive income for first half of 2012 and 2011 (unaudited):

	First half of 2012 RMB'000	Percentage of revenue	Percentage of service revenue	First half of 2011 RMB'000	Percentage of revenue	Percentage of service revenue
Revenue	1,173,504			945,595		
Service Revenue	*1,110,874*			*852,382*		
Cost of sales	(812,804)	–69.3%		(637,147)	–67.4%	
Gross profit	360,700	30.7%	32.5%	308,448	32.6%	36.2%
Other income, gains and losses	18,364	1.6%	1.7%	18,529	2.0%	2.2%
Selling and distribution costs	(65,242)	–5.6%	–5.9%	(64,654)	–6.8%	–7.6%
Administrative expenses	(193,283)	–16.5%	–17.4%	(150,689)	–15.9%	–17.7%
Allowance for doubtful debts	(172)	–0.01%	–0.02%	(1,880)	–0.2%	–0.2%
Amortisation of intangible assets	(23,826)	–2.0%	–2.1%	(24,766)	–2.6%	–2.9%
Finance costs	(14,260)	–1.2%	–1.3%	(10,572)	–1.1%	–1.2%
Share of results of associates	258	0.02%	0.02%	1,393	0.1%	0.2%
Loss arising from changes in fair value of redeemable convertible preferred shares	–	–	–	(53,057)	–5.6%	–6.2%
Profit before taxation	82,539	7.0%	7.4%	22,752	2.4%	2.7%
Taxation	(17,102)	–1.5%	–1.5%	(15,220)	–1.6%	–1.8%
Profit for the period	65,437	5.6%	5.9%	7,532	0.8%	0.9%

Comparison of the results of the first half of 2012 and 2011:

REVENUE

In the first half of 2012, revenue of the Group amounted to RMB1,173.504 million (First half of 2011: RMB945.595 million), representing a growth of 24.1% compared to that of the previous year. Of which, service revenue was RMB1,110.874 million (First half of 2011: RMB852.382 million), representing a growth of 30.3% over the same period last year, which was mainly attributable to the growth of revenue from both Professional Services Business (PSG) and Outsourcing Services Business (OSG).

Service revenue of the Group by business segment for the first half of 2012 as compared with the corresponding period of last year as follows:

RMB (in thousand)	First half of 2012	Weight	First half of 2011	Weight	Growth Rate
Professional Services Business (PSG)	**525,278**	**47.3%**	400,171	47.0%	31.3%
Outsourcing Services Business (OSG)	**551,124**	**49.6%**	422,823	49.6%	30.3%
Training Services	**34,472**	**3.1%**	29,388	3.4%	17.3%
Total Service Revenue	**1,110,874**	**100.0%**	852,382	100.0%	30.3%

The Group's service revenue by contract model in the first half of 2012 and as compared with the corresponding period of the previous year are set out as follows:

RMB'000	First half of 2012	Weight	First half of 2011	Weight
Service revenue	**1,110,874**		852,382	
Fixed Price	**548,271**	**49.4%**	422,101	49.5%
Time & Raw Material	**511,412**	**46.0%**	398,310	46.7%
Volume Base	**51,191**	**4.6%**	31,971	3.8%
Total	**1,110,874**	**100.0%**	852,382	100.0%

COST OF MAIN BUSINESSES

In the first half of 2012, cost of the Group's main businesses accounted for 69.3% of the revenue (first half of 2011: 67.4%), representing an increase of 1.9% over the same period of the previous year. Cost of main businesses of the Group amounted to RMB812.804 million (first half of 2011: RMB637.147 million), representing an increase of 27.6% over the same period last year.

GROSS PROFIT

In the first half of 2012, the Group's gross profit was approximately RMB360.700 million (first half of 2011: RMB308.448 million), representing an increase of 16.9% over the first half of 2011. The Group's gross profit margin was 30.7% (first half of 2011: 32.6%), representing a decrease of 1.9% compared with that of the previous year. The gross profit margin for service revenue was 32.5% in the first half of 2012 (first half of 2011: 36.2%), representing a decrease of 3.7%.

The decrease of the gross profit margin was mainly attributable to the continued rise in labor costs, the Group will adopt the following measures to alleviate pressure posted by the rising labor cost:

First, with the commencement on Xi'an station's construction, the Group will continue setting up its submission centers in "third-tier cities" to reduce the pressure posted by the rising labor cost;

Second, the Group will increase the extent of re-use of technology and solutions through continuous R&D input to lower direct cost ratio.

OTHER INCOME, GAINS AND LOSSES

In the first half of 2012, other income, gains and losses amounted to RMB18.364 million (first half of 2011: RMB18.529 million), representing a basically similar level comparing with the same period of the previous year.

OPERATING EXPENSES

In the first half of 2012, selling and distribution costs amounted to RMB65.242 million (first half of 2011: RMB64.654 million), representing a basically similar level comparing with the first half of 2011, and the proportion of selling and distribution costs to revenue was 5.6% as compared to 6.8% in the first half of 2011, representing a decrease of 1.2%. The proportion of selling and distribution costs to service revenue was 5.9%, a decrease of 1.7% compared with 7.6% for the same period of 2011. Typically, selling and distribution costs of the Group accounts for 6%-8% to service revenue and the figure for the first half of the year largely falls into this range.

In the first half of 2012, administrative expenses amounted to RMB193.283 million (first half of 2011: RMB150.689 million), representing an increase of 28.3% over the same period in 2011. The proportion of administrative expenses to revenue was 16.5%, an increase of 0.6% compared with 15.9% for 2011. The proportion of administrative expenses to service revenue was 17.4%, a decrease of 0.3% compared with 17.7% for 2011.

EBITDA AND BUSINESS CONTRIBUTION PROFIT

In the first half of 2012, the Group recorded an EBITDA of RMB141.776 million (first half of 2011: RMB127.262 million), representing an increase of 11.4% over the same period of the previous year.

In the first half of 2012, business contribution profit amounted to RMB145.597 million (first half of 2011: RMB138.740 million), representing an increase of 4.9% over the past year. In the first half of 2012, the business contribution profit margin dropped by 2.3% over the same period of 2011 to 12.4%. Business contribution profit margin based on service revenue was 13.1%, representing a decrease of 3.2% over the same period of 2011.

OTHER NON-CASH EXPENSES

In the first half of 2012, depreciation of property, plant and equipment to revenue was 1.8%, representing a similar level compared with 1.9% for the first half of 2011. Depreciation of property, plant and equipment amounted to RMB21.409 million (first half of 2011: RMB17.508 million), representing an increase of 22.3% over the first half of 2011, mainly attributable to the increase in depreciation due to purchase of fixed assets during the period to address its personnel expansion.

In the first half of 2012, amortisation of intangible assets to revenue was 2.0%, a decrease of 0.6% as compared with 2.6% in the same period in the first half of 2011. Amortisation of intangible assets amounted to RMB23.826 million (first half of 2011: RMB24.766 million), representing a decrease of 3.8% over the first half of 2011.

In the first half of 2012, share option expense to revenue was 0.3%, a decrease of 0.7% as compared with 1.0% in the same period of 2011. Share option expense in the first half of 2012 amounted to RMB3.626 million (first half of 2011: RMB9.235 million).

In the first half of 2012, allowance for bad debt amounted to RMB172 thousand (first half of 2011: RMB1.880 million), representing a year-on-year decrease of 90.9%.

In the first half of 2012, the Group had no impairment loss recognised in respect of goodwill (nil for the same period in the previous year).

In the first half of 2012, the Group had no profit or loss arising from changes in fair value of redeemable convertible preferred shares (first half of 2011: loss arising from changes in fair value of redeemable convertible preferred shares amounted to RMB53.057 million).

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

In the first half of 2012, the Group achieved a profit of RMB65.437 million (first half of 2011: RMB7.532 million), representing a year-on-year increase of 768.8%.

In the first half of 2012, the Group recorded a profit for the period of RMB65.437 million (first half of 2011: RMB60.589 million, excluding the effect of loss arising from changes in fair value of redeemable convertible preferred shares), representing an year-on-year increase of 8.0%. Profit for the period to revenue ratio was approximately 5.6% (first half of 2011: 6.4%), representing a decrease of 0.8% over the same period of last year; profit for the period to service revenue was approximately 5.9% (first half of 2011: 7.1%), representing an decrease of 1.2% over the same period of last year. The decrease of profit to revenue ratio is mainly due to the decrease in gross margins which was in turn cause mainly by rising labor cost.

Based on the said profit for the period, earnings per share for the first half of 2012 amounted to approximately RMB0.037 (first half of 2011: RMB0.048, excluding the effect of loss arising from changes in fair value of redeemable convertible preferred shares), representing a decrease of 23% over the same period of last year. This decrease in earnings per share (even as our profit for the period for 2012 was higher compared to the period in 2011) was due to the rise in the number of ordinary shares outstanding in the second half of 2011. Most of this increase in shares outstanding was the result of conversion of preferred shares, held by preferred shareholders including Microsoft, into ordinary shares and also from new shares issued to Hony Capital. Combined, these two events expanded our ordinary share base by approximately 26%.

INTERIM RESULTS

The board of Directors (the "Board") of Chinasoft International Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June, 2012 with corresponding figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

		For the six months ended 30 June,	
	Notes	**2012 RMB'000**	2011 RMB'000
Turnover	*3*	**1,173,504**	945,595
Cost of sales		**(812,804)**	(637,147)
Gross profit		**360,700**	308,448
Other income, gains and losses		**18,364**	18,529
Selling and distribution costs		**(65,242)**	(64,654)
Administrative expenses		**(193,283)**	(150,689)
Allowance for doubtful debts		**(172)**	(1,880)
Amortisation of intangible assets		**(23,826)**	(24,766)
Finance costs	*4*	**(14,260)**	(10,572)
Share of result of associates		**258**	1,393
Loss arising from changes in fair value of redeemable convertible preferred shares		**–**	(53,057)
Profit before taxation		**82,539**	22,752
Taxation	*5*	**(17,102)**	(15,220)
Profit for the period		**65,437**	7,532
Other comprehensive income			
Exchange differences arising on transaction of foreign operations		**(1,444)**	(679)
Total comprehensive income for the period		**63,993**	6,853
Profit for the period attributable to:			
Owners of the Company		**59,724**	6,668
Non-controlling interests		**5,713**	864
		65,437	7,532
Total comprehensive income attributable to:			
Owners of the Company		**58,288**	6,004
Non-controlling interests		**5,705**	849
		63,993	6,853
Earnings per share	*7*		
– Basic (cents)		**3.65**	0.54
– Diluted (cents)		**3.48**	0.50

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	(Unaudited) 30 June, 2012 RMB'000	(Audited) 31 December, 2011 RMB'000
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	*8*	**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
Current liabilities			
Trade and other payables	*9*	**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	*10*	**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		**123,718**	78,013
Total equity		**1,926,961**	1,803,685

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the company											
	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Share options reserve RMB'000	Convertible loan notes reserve RMB'000	General reserve fund RMB'000	Statutory enterprise expansion fund RMB'000	Statutory surplus reserve fund RMB'000	Accu-mulated fund RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January, 2011	61,133	807,664	(706)	80,480	36,522	15,793	15,136	7,661	12,765	1,036,448	65,555	1,102,003
Profit for the period	–	–	–	–	–	–	–	–	6,668	6,668	864	7,532
Exchange differences arising from translation of overseas operations	–	–	(664)	–	–	–	–	–	–	(664)	(15)	(679)
Total comprehensive income for the period	–	–	(664)	–	–	–	–	–	6,668	6,004	849	6,853
New issue of subscription share	6,237	225,211	–	–	–	–	–	–	–	231,448	–	231,448
New issue of shares upon exercise of share option	2,809	71,353	–	(19,187)	–	–	–	–	–	54,975	–	54,975
Recognition of equity-settled share based payments	–	–	–	9,235	–	–	–	–	–	9,235	–	9,235
At 30 June, 2011	70,179	1,104,228	(1,370)	70,528	36,522	15,793	15,136	7,661	19,433	1,338,110	66,404	1,404,514
At 1 January, 2012	77,879	1,392,651	(1,382)	78,222	15,167	15,793	26,749	12,153	108,440	1,725,672	78,013	1,803,685
Profit for the period	–	–	–	–	–	–	–	–	59,724	59,724	5,713	65,437
Exchange differences arising from translation of overseas operations	–	–	(1,436)	–	–	–	–	–	–	(1,436)	(8)	(1,444)
Total comprehensive income for the period	–	–	(1,436)	–	–	–	–	–	59,724	58,288	5,705	63,993
New issue of subscription share	–	–	–	–	–	–	–	–	–	–	–	–
New issue of shares upon exercise of share option	1,084	19,967	–	(5,394)	–	–	–	–	–	15,657	–	15,657
Capital contribution from non-controlling interest of subsidiaries	–	–	–	–	–	–	–	–	–	–	40,000	40,000
Recognition of equity-settled share based payments	–	–	–	3,626	–	–	–	–	–	3,626	–	3,626
At 30 June, 2012	78,963	1,412,618	(2,818)	76,454	15,167	15,793	26,749	12,153	168,164	1,803,243	123,718	1,926,961

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Six months ended 30 June,	
	2012	2011
	RMB'000	RMB'000
Net cash used in operating activities	**(288,282)**	(101,363)
Net cash used in investing activities	**(35,310)**	(64,693)
Net cash generated from financial activities	**73,308**	242,966
Net increase/(decrease) in cash and cash equivalents	**(250,284)**	76,910
Effect of foreign exchange rate changes	**(852)**	(798)
Cash and cash equivalents at the beginning of the period	**772,950**	484,172
Cash and cash equivalents at the end of the period	**521,814**	560,284

1. BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at their fair values.

The accounting policies used in these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December, 2011.

In the current interim period, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK (IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold and services rendered during the period.

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the category of customers for each type of goods supplied or services provided by the Group's operating divisions.

Specifically, the Group's reportable segments are as follows:

1. Professional Services Business (PSG)

2. Outsourcing Services Business (OSG)

3. Training Business

Information regarding the above segments is reported below.

Segment revenues and results

The following is an analysis of the Group's revenues and results by operating segment:

	For the six months ended 30 June,			
	Segment revenue		Segment results	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Professional Services Business (PSG)	**587,908**	493,384	**55,134**	48,294
Outsourcing Services Business (OSG)	**551,124**	422,823	**61,576**	53,142
Training Business	**34,472**	29,388	**1,325**	1,202
	1,173,504	945,595	**118,035**	102,638

Segment revenue by products and services:

	For the six months ended 30 June, 2012 RMB'000	2011 RMB'000
Sale of software and hardware products	**62,630**	93,213
Professional Services Business (PSG)	**525,278**	400,171
Outsourcing Services Business (OSG)	**551,124**	422,823
Training Business	**34,472**	29,388
	1,110,874	852,382
	1,173,504	945,595

Reconciliation of segment results to profit (loss) before taxation:

	For the six months ended 30 June, 2012 RMB'000	2011 RMB'000
Segment results	**118,035**	102,638
Other income, gains and losses	**667**	8,520
Corporate expenses	**(29,096)**	(29,620)
Effective interest on convertible loan notes	**(7,067)**	(5,729)
Loss arising from changes in fair value of redeemable convertible preferred shares	**–**	(53,057)
Profit before taxation	**82,539**	22,752

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in either year.

Segment results represent the profit earned by/loss from each segment without allocation of corporate expenses, share-based payment, effective interest on convertible loan notes, loss arising from changes in fair value of redeemable convertible preferred shares and certain items of other income, gains and losses recorded at corporate level. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

4. FINANCE COSTS

	For the six months ended 30 June,	
	2012	2011
	RMB'000	RMB'000
Interest on borrowings wholly repayable within five years	**7,193**	4,681
Imputed interest expenses on consideration payable for acquisition of a business	**–**	162
Effective interest on convertible loan notes	**7,067**	5,729
	14,260	10,572

5. TAXATION

	For the six months ended 30 June,	
	2012	2011
	RMB'000	RMB'000
Tax charge comprises:		
PRC Enterprise Income Tax	**16,142**	15,220
Hong Kong Profits Tax	**–**	–
The US Federal and State Income taxes	**5**	–
Japan Income Tax	**955**	–
	17,102	15,220

No provision for Hong Kong Profits Tax has been made for both periods as the Company and its subsidiaries have no assessable profit arising in Hong Kong.

PRC Enterprise Income Tax is calculated at the rates prevailing in relevant districts of the PRC.

Taxation for other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

6. DIVIDEND

The Company did not declare final dividend for the year ended 31 December, 2011 and interim dividend for the period ended 30 June, 2012 to its shareholders.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	For the six months ended 30 June,	
	2012	2011
	RMB'000	RMB'000
Earnings for the purposes of calculating basic and diluted earnings per share	**59,724**	6,668

	Number of shares	
	2012	2011
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,636,163,049**	1,245,531,132
Effect of dilutive potential ordinary shares: Issuable under the Company's share option scheme	**80,235,168**	99,252,009
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,716,398,217**	1,344,783,141

The computation of diluted earnings per share for the period ended 30 June 2011 did not assume the conversion of the redeemable convertible preferred shares or convertible loan notes as the conversion would result in an increase in the diluted earnings per share.

The computation of diluted earnings per share for the period ended 30 June 2012 did not assume the conversion of the convertible loan notes as the conversion would result in an increase in the diluted earnings per share.

8. TRADE AND OTHER RECEIVABLES

	(Unaudited) 30 June, 2012 RMB'000	(Audited) 31 December, 2011 RMB'000
Trade receivables	**945,199**	717,577
Less: Allowance for doubtful debts	**(72,166)**	(79,307)
	873,033	638,270
Trade receivables from related companies	**2,079**	1,664
Trade receivables from associates	**–**	–
	875,112	639,934
Advances to suppliers	**66,445**	39,296
Deposits, prepayments and other receivables	**87,994**	81,418
	1,029,551	760,648

The credit terms of the Group range from 30 to 180 days. An aged analysis of trade receivables (net of allowance for doubtful debts), presented based on the invoice date at the end of the reporting period is as follows:

	(Unaudited) 30 June, 2012 RMB'000	(Audited) 31 December, 2011 RMB'000
Within 90 days	**556,275**	483,793
Between 91-180 days	**138,341**	80,316
Between 181-365 days	**132,555**	39,804
Between 1-2 years	**38,441**	30,293
Over 2 years	**9,500**	5,728
	875,112	639,934

The fair value of the Group's trade and other receivables at 30 June, 2012 was approximately equal to the corresponding carrying amount.

9. TRADE AND OTHER PAYABLES

	(Unaudited) 30 June, 2012 RMB'000	(Audited) 31 December, 2011 RMB'000
Trade payables	**312,487**	283,359
Trade payable to a related company	**964**	–
	313,451	283,359
Deposits received from customers	**54,826**	41,505
Other payables and accrued charges	**177,359**	288,285
	545,636	613,149

An aged analysis of trade payables, presented based on the invoice date at the end of the reporting period is as follows:

	(Unaudited) 30 June, 2012 RMB'000	(Audited) 31 December, 2011 RMB'000
Within 90 days	**206,835**	161,373
Between 91-180 days	**29,996**	20,780
Between 181-365 days	**32,336**	20,811
Between 1-2 years	**24,814**	65,345
Over 2 years	**19,470**	15,050
	313,451	283,359

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

The fair value of the Group's trade and other payables at 30 June, 2012 was approximately equal to the corresponding carrying amount.

10. SHARE CAPITAL

Ordinary shares of HK$0.05 each:	Number of shares	Nominal amount
Authorised		HK$
At 1 January, 2011	2,000,000,000	100,000,000
Addition (note a)	2,000,000,000	100,000,000
At 30 June, 2011, 1 January, 2012 and 30 June 2012	4,000,000,000	200,000,000

	Number of shares	Nominal amount	Amount shown in the financial statements
		HK$	RMB'000
Issued and fully paid			
At 1 January, 2011	1,214,327,259	60,716,363	61,133
Exercise of options	67,203,000	3,360,150	2,809
Issue of consideration shares	150,000,000	7,500,000	6,237
At 30 June, 2011	1,431,530,259	71,576,513	70,179
Exercise of options	26,198,400	1,309,920	1,072
Conversion of redeemable convertible preferred shares	164,500,000	8,225,000	6,628
At 31 December, 2011 and 1 January, 2012	1,622,228,659	81,111,433	77,879
Exercise of options	26,659,000	1,332,950	1,084
At 30 June, 2012	1,648,887,659	82,444,383	78,963

Notes:

(a) Pursuant to written resolution of the shareholders passed on 18 May, 2011, inter alia, the authorised ordinary share capital of the Company was increased from HK$100,000,000 divided into 2,000,000,000 ordinary shares of HK$0.05 each to HK$200,000,000 divided into 4,000,000,000 ordinary shares of HK$0.05 each.

11. CAPITAL COMMITMENTS

The Group had no capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for in the financial statements.

12. RELATED PARTY TRANSACTIONS

(i) During the relevant periods in 2011 and 2012, the Group had the following transactions with the following related parties:

		For the six month ended 30 June,	
	Notes	**2012**	2011
		RMB'000	RMB'000
Provision of IT outsourcing services			
– 大連中軟軟件有限公司	*(a)*	**–**	156
– 日本國株式會社CDI	*(b)*	**4,939**	–
Rental expenses			
– Chinasoft National Software and Service Company Limited ("CNSS")	*(c)*	**–**	2,285

Notes:

(a) 大連中軟軟件有限公司 is a subsidiary of CNSS, CNSS ceased to be a connected person of the Company as its interest in the shares of the Company dropped below 10% during June 2011.

(b) 日本國株式會社CDI is a substantial shareholder of Dalian Digital, a subsidiary of the Company.

(c) Chinasoft National Software and Service Company Limited is a holding company of a shareholder of the Company. CNSS ceased to be a connected person of the Company as its interest in the shares of the Company dropped below 10% during June 2011 by disposal.

(ii) Pursuant to a trademark license agreement ("Trademark Licence Agreement") entered into between CNSS and the Company on 20 December, 2003, CNSS granted to the Company an exclusive right to use a trademark of 中軟總公司計算機培訓中心 as defined on the Trademark Licence Agreement for a period of 25 years for a consideration of RMB2,000,000. During the year ended 31 December, 2006, CNSS obtained the trademark registration certificate from the Trademark Bureau of the PRC and the Company recognised the amount as prepaid lease payments in the consolidated balance sheet. The effective period of the registration is from 21 March, 2006 to 20 March, 2016. At 30 June, 2012, the prepaid lease payments were analysed for reporting purposes as a non-current asset of RMB418,000 and current asset of RMB153,000 in the consolidated statement of financial position.

The Directors are of the opinion that the above transactions were conducted under normal commercial terms in the usual course of business of the Company.

13. EMPLOYEE AND OTHER INFORMATION

The remuneration for the employees of the Group amounted to approximately RMB698,451,000, including the directors' emoluments of approximately RMB2,290,000 during the six months ended 30 June, 2012 (2011: approximately RMB473,292,000, including the directors' emoluments of approximately RMB2,295,000). The increase in employee remuneration resulted from the increase in the number of employees from 12,476 to 17,053.

The amortisation charge of intangible assets and depreciation during the six months ended 30 June, 2012 of the Group amounted to approximately RMB23,826,000 (2011: RMB24,766,000) and approximately RMB21,409,000 (2011: RMB17,508,000), respectively.

DIRECTORS' INTERESTS IN SHARES

As 30 June, 2012, the following Directors had interests in the shares and underlying shares of the Company and shares in an associated corporation (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) of the Company as set out below and recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by directors of listed issuers.

Long positions in shares of HK$0.05 each in the capital of the Company ("Shares")

Name of Director	Total No. of Ordinary Shares	Approximate percentage of total issued ordinary share capital of the Company as at 30 June, 2012
Zhao John Huan	271,476,453	16.46%
Chen Yuhong	115,320,136	6.99%
Tang Zhenming	11,747,765	0.71%
Jiang Xiaohai	6,872,447	0.42%
Wang Hui	6,277,838	0.38%
Zeng Zhijie	300,000	0.02%

Options to subscribe for Shares

Name of Director	Exercise Price (HK$)	No. of share options outstanding as at 1 January, 2012	No. of share options exercised during the period	No. of share options outstanding as at 30 June, 2012	Percentage of total issued ordinary share capital of the Company as at 30 June, 2012	No of underlying ordinary shares interested in	*Note*
Tang Zhenming	0.58	80,000	–	80,000	0.005%	4,180,000	*(1)*
	0.65	1,300,000	–	1,300,000	0.08%		*(2)*
	0.97	800,000	–	800,000	0.05%		*(3)*
	1.78	2,000,000	–	2,000,000	0.12%		*(4)*
Wang Hui	1.78	1,200,000	–	1,200,000	0.07%	1,200,000	*(4)*
Zeng Zhijie	1.78	450,000	–	450,000	0.03%	450,000	*(4)*

Notes:

(1) These share options were offered on 13 August, 2003 under the share option scheme of the Company adopted on 2 June, 2003 (the "Share Option Scheme") and accepted on 27 August, 2003. The share options are exercisable for a period of ten years from the date of offer subject to the following conditions:

Exercisable Period Commencing	Ending	Number of share options exercisable
13/08/2004	12/08/2013	25% of the total number of share options granted
13/08/2005	12/08/2013	25% of the total number of share options granted
13/08/2006	12/08/2013	25% of the total number of share options granted
13/08/2007	12/08/2013	25% of the total number of share options granted

(2) These share options were offered on 13 May, 2004 under the Share Option Scheme and accepted on 10 June, 2004. These share options are exercisable for a period of 10 years from the date offer, subject to the following conditions:

Exercisable Period Commencing	Ending	Number of share options exercisable
13/05/2004	12/05/2014	25% of the total number of share options granted
13/05/2005	12/05/2014	25% of the total number of share options granted
13/05/2006	12/05/2014	25% of the total number of share options granted
13/05/2007	12/05/2014	25% of the total number of share options granted

(3) These share options were offered on 30 March, 2006 under the Share Option Scheme and accepted on 27 April, 2006. These share options are exercisable for a period of 10 years from the date of offer, subject to the following conditions:

Exercisable Period Commencing	Ending	Number of share options exercisable
30/03/2006	29/03/2016	25% of the total number of share options granted
30/03/2007	29/03/2016	25% of the total number of share options granted
30/03/2008	29/03/2016	25% of the total number of share options granted
30/03/2009	29/03/2016	25% of the total number of share options granted

(4) These share options were offered on 10 April, 2007 under the Share Option Scheme and accepted on 8 May, 2007. These share options are exercisable for a period of 10 years from the date of offer, subject to the following conditions:

Exercisable Period Commencing	Ending	Number of share options exercisable
10/04/2007	09/04/2017	25% of the total number of share options granted
10/04/2008	09/04/2017	25% of the total number of share options granted
10/04/2009	09/04/2017	25% of the total number of share options granted
10/04/2010	09/04/2017	25% of the total number of share options granted

SHARE OPTION SCHEME

As at 30 June, 2012, there were share options to subscribe for an aggregate of 185,106,600 Shares granted to certain Directors and employees of the Group pursuant to the Share Option Scheme outstanding.

During the six months ended 30 June, 2012, an aggregate of 26,659,000 share options were exercised, an aggregate of 3,000,000 share options were lapsed and no share options were granted under the Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, during the six months ended 30 June, 2012 none of the Directors was granted options to subscribe for shares of the Company and as at 30 June, 2012 none of the Directors had any rights to acquire shares in the Company.

REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS

During the six months ended 30 June, 2012, the Company had adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules relating to dealings in securities. Having made specific enquiry with all the Directors, the Directors had complied with the Model Code regarding securities transactions during the six months ended 30 June, 2012.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June, 2012, the Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules, except that there is no separation of the roles of Chairman and Chief Executive Officer as stipulated in the code provision A.2.1. Dr. Chen Yuhong currently assumes the roles of both the Chairman and the Chief Executive Officer of the Company. The Board believes that by holding both roles Dr. Chen will be able to provide the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies of the Group. As such, the structure is beneficial to the business prospects of the Group.

SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors, as at 30 June, 2012, the interest of the persons (not being a Director or chief executive of the Company) in the shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in Shares

Name	Nature of interest	Approximate number of Shares (million)	Approximate percentage of total issued ordinary share of the Company	Approximate percentage of total issued share* of the Company
Keen Insight Limited ("Keen Insight") *(Note 1)*	Beneficial interest	271.48	16.46%	15.38%
Hony Capital Fund 2008, L.P. *(Note 1)*	Interest of controlled corporation	271.48	16.46%	15.38%
Hony Capital Fund 2008 GP L.P. *(Note 1)*	Interest of controlled corporation	271.48	16.46%	15.38%
Hony Capital Fund 2008 GP Limited *(Note 1)*	Interest of controlled corporation	271.48	16.46%	15.38%
Hony Capital Management Limited ("Hony Capital") *(Note 1)*	Interest of controlled corporation	271.48	16.46%	15.38%
Zhao John Huan *(Note 2)*	Interest of controlled corporation	271.48	16.46%	15.38%
Right Lane Limited *(Note 2)*	Interest of controlled corporation	271.48	16.46%	15.38%
Legend Holdings Limited ("Legend Holdings") *(Note 3)*	Interest of controlled corporation	271.48	16.46%	15.38%
Chinese Academy of Sciences Holdings Co., Ltd. *(Note 4)*	Interest of controlled corporation	271.48	16.46%	15.38%
Chinese Academy of Sciences *(Note 4)*	Interest of controlled corporation	271.48	16.46%	15.38%
Beijing Lian Chi Zhi Yuan Management Consulting Center *(Note 5)*	Interest of controlled corporation	271.48	16.46%	15.38%
Beijing Lian Chi Zhi Tung Management Consulting Ltd. *(Note 5)*	Interest of controlled corporation	271.48	16.46%	15.38%

Name	Nature of interest	Approximate number of Shares (million)	Approximate percentage of total issued ordinary share of the Company	Approximate percentage of total issued share* of the Company
Greater Pacific Capital Partners, LP ("GPC") *(Note 6)*	Beneficial interest	119.27	7.23%	6.76%
EJF Capital LLC ("EJF") *(Note 7)*	Beneficial interest	116.40	7.06%	6.59%
Far East Holdings International Limited ("Far East Holdings") *(Note 8)*	Beneficial interest	113.40	6.88%	6.42%
Microsoft Corporation ("Microsoft") *(Note 9)*	Beneficial interest	97.25	5.90%	5.51%
China National Computer Software & Information Technology Service Corporation (Hong Kong) Limited ("CS&S(HK)") *(Note 10)*	Beneficial interest	50.32	3.05%	2.85%
Chinasoft National Software and Service Company Limited ("CNSS") *(Note 10)*	Interest of controlled corporation	50.32	3.05%	2.85%

* *The total number of issued share consists of 1,648,887,659 Ordinary Shares and 116,404,949 Convertible Notes, which could be converted into 116,404,949 Ordinary Shares.*

Notes:

1. Hony Capital Fund 2008, L.P. holds the entire issued share capital of Keen Insight. Hony Capital Fund 2008 GP, L.P. is the sole general partner of Hony Capital Fund 2008, L.P.. Hony Capital Fund 2008 GP Limited, a wholly-owned subsidiary of Hony Capital, is the sole general partner of Hony Capital Fund 2008 GP, L.P.. Hony Capital is taken to be interested in the Shares in which Keen Insight is interested.

2. Zhao John Huan and Right Lane Limited are interested in 55% and 45% interests in Hony Capital respectively.

3. Legend Holdings Limited owns 100% interest in Right Lane Limited.

4. Chinese Academy of Sciences Holdings Co., Ltd, which is 100% owned by Chinese Academy of Sciences is taken to be interested in the Shares in which Keen Insight is interested. Chinese Academy of Sciences Holdings Co., Ltd owns 36% interest in Legend Holdings.

5. Beijing Lian Zhi Tung Management Consulting Ltd is the sole general partner of Beijing Lian Chi Zhi Yuan Management Consulting Center is taken to be interested in the Shares in which Keen Insight is interested. Beijing Lian Chi Zhi Yuan Management Consulting Center owns 35% interest in Legend Holdings.

6. GPC is interested in interested in 119,268,639 Ordinary Shares.

7. EJF is an investment advisor registered under the Securities and Exchange Commission of the United States of America. EJF is interested in 116,404,949 Ordinary Shares which could be issued upon the full conversion of the Convertible Notes in the principal amount of RMB 200 million took place on 29 November 2010.

8. Far East Holdings is interested in 113,399,822 Ordinary Shares.

9. Microsoft is interested in 97,250,000 Ordinary Shares which was converted on 30 December 2011 from 97,250,000 series A preferred shares of HK$0.05 each in the capital of the Company ("Series A Preferred Shares") allotted and issued on 6 January 2006.

10. CNSS is taken to be interested in the Shares in which CS&S(HK) is interested. CNSS holds approximately 99.3% of the total voting rights of CS&S(HK).

Save as disclosed above, as at 30 June, 2012, no other interest or short position in the Shares or underlying shares of the Company were recorded in the register required to be kept under section 336 of the SFO.

COMPETING INTERESTS

As at 30 June, 2012, none of the Directors or the management shareholders of the Company and their respective associates (as defined under the Listing Rules) had any interest in a business which competed or might compete with the business of the Group.

AUDIT COMMITTEE

The Company established an audit committee on 2 June, 2003 and amended its written terms of reference in compliance with the requirements as set out in the Code on Corporate Governance Practices of the Listing Rules. The primary duties of the audit committee are to review and to supervise the financial reporting process and internal control system of the Group. The audit committee comprises of three independent non-executive directors, namely Mr. Zeng Zhijie, Dr. Leung Wing Yin Patrick and Mr. Xu Zeshan. Dr. Leung Wing Yin Patrick is the Chairman of the audit committee.

The audit committee of the Company has reviewed the Interim results of the Group for the six months ended 30 June, 2012.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June, 2012, the Company purchased certain of its shares on the Stock Exchange and these shares were subsequently cancelled by the Company. The Company considered that it is the best way of enhancing shareholder value and that it is in the best interest of the shareholders to return a substantial part of the surplus funds to them. The summary details of those transactions are as follows:

	Number of Shares repurchased	Price per share Highest	Lowest	Total price paid
		HK$	*HK$*	*HK$'000*
June 2012	140,000	1.96	1.92	272,300

The purchase of the Company's shares during the six months ended 30 June, 2012 was effected by the Directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Except as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2012.

On behalf of the Board
Dr. Chen Yuhong
Chairman and Chief Executive Officer

17 August, 2012, Hong Kong