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中软国际

CHINASOFT INTERNATIONAL LIMITED

中軟國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 354)

INTERIM RESULTS REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2013

HIGHLIGHTS

Results for the first half of 2013

Income statement highlights	For the six months ended 30 June		% Increase (over the same period last year)
	(unaudited) 2013	(unaudited) 2012	
	RMB'000	RMB'000	
Revenue	1,371,671	1,173,504	16.9%
Revenue from service	1,346,810	1,110,874	21.2%
Gross profit	407,240	360,700	12.9%
Profit for the period	80,698	65,437	23.3%
Profit attributable to Owners of the Group	72,309	59,274	21.1%
EBITDA	156,618	141,776	10.5%
Basic EPS (RMB Cents)	4.20	3.65	15.1%
Statement of financial position highlights	(unaudited) 30 June 2013	(audited) 31 December 2012	% Increase
	RMB'000	RMB'000	
Total assets	3,715,666	3,442,350	7.9%
Total liabilities	(1,478,764)	(1,380,067)	7.2%
Total equity	<u>2,236,902</u>	<u>2,062,283</u>	8.5%

- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013.
- No closure for the Register of Members of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

KEY OPERATING DATA

The key operating data (unaudited) of the consolidated statement of comprehensive income are set out as follows:

	First half of 2013 RMB'000	First half of 2012 RMB'000	% Increase (over the same period last year)
Revenue	1,371,671	1,173,504	16.9%
Service revenue*	1,346,810	1,110,874	21.2%
Cost of sales	(964,431)	(812,804)	18.7%
Gross profit	407,240	360,700	12.9%
Other income, gains and losses	38,213	18,364	108.1%
Selling and distribution costs	(79,307)	(65,242)	21.6%
Administrative expenses	(235,064)	(193,283)	21.6%
Allowance for doubtful debts	261	(172)	-251.7%
Amortisation of intangible assets and prepaid lease payments	(25,255)	(23,826)	6.0%
Finance costs	(20,413)	(14,260)	43.1%
Share of results of associates	493	258	91.1%
Profit before taxation	86,168	82,539	4.4%
Taxation	(5,470)	(17,102)	-68.0%
Profit for the period	80,698	65,437	23.3%
+Taxation	5,470	17,102	-68.0%
+Finance costs	20,413	14,260	43.1%
+Depreciation of property, plant and equipment	25,275	21,409	18.1%
+Amortisation of intangible assets and prepaid lease payments	25,255	23,826	6.0%
-Share of results of associates	493	258	91.1%
EBITDA**	156,618	141,776	10.5%
+Share option expenses	2,704	3,626	-25.4%
+Foreign exchange loss (gain)	(10)	23	-143.5%
+(Reversal of) Allowance for doubtful debts	(261)	172	-251.7%
Business contribution profit	159,051	145,597	9.2%

*Note**: For the service revenue, please refer to the section headed “Revenue” in “operating results” below for detailed analysis.

*Note***: EBITDA and business contribution profit (EBITDA excluding share option expenses, foreign exchange gain or loss and provision for doubtful debts) are the true reflection of the business profitability. Please refer to the section headed “Earnings Capability” below for detailed analysis.

GENERAL OVERVIEW

The growth in key operating data of the Group for the first half of 2013 is set out as follows:

<i>RMB'000</i>	First half of 2013	First half of 2012	Growth rate
Revenue	1,371,671	1,173,504	16.9%
Service Revenue	1,346,810	1,110,874	21.2%
EBITDA	156,618	141,776	10.5%
Business contribution profit	159,051	145,597	9.2%

The Group's Service Revenue continues to grow at a healthy pace, rising 21.2% compared to one year ago in the same period. The slower rise in over-all revenue (+16.9%) reflects lower sales in hardware revenues, which represented only 1.8% of total revenue in the current reporting period compared to last year's 5.3%.

The growth in revenue, service revenue and results by business lines of the Group for the first half of 2013 is set out as follows:

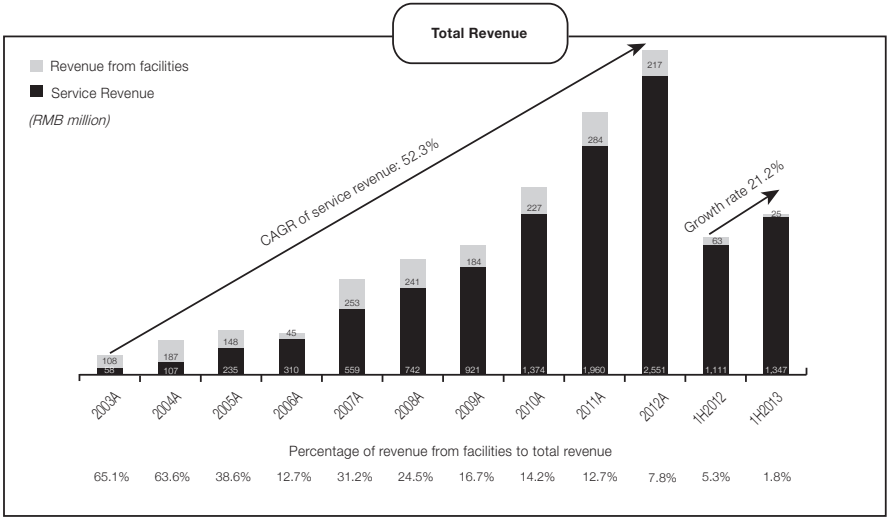
<i>RMB'000</i>	Revenue			Service Revenue			Results		
	First half of 2013	First half of 2012	Growth rate	First half of 2013	First half of 2012	Growth rate	First half of 2013	First half of 2012	Growth rate
Professional Services Business (PSG)	663,952	587,908	12.9%	639,091	525,278	21.7%	67,694	55,134	22.8%
Outsourcing Services Business (OSG)	660,601	551,124	19.9%	660,601	551,124	19.9%	50,782	61,576	-17.5%
Training Business	47,118	34,472	36.7%	47,118	34,472	36.7%	1,694	1,325	27.8%
Total	1,371,671	1,173,504	16.9%	1,346,810	1,110,874	21.2%	120,170	118,035	1.8%

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

From a segment revenue perspective, PSG service revenue rose 21.7% while OSG revenue grew by 19.9% and Training Business revenue grew by 36.7%. Specifically within OSG, revenue from our Huawei business grew by over 30% compared to a year ago, but this was offset by a decrease in revenue from our Japan and Korea business mainly due to the severe depreciation of the Japanese Yen vs the RMB.

Foreign exchange effects were even more striking on the profits of our segments as over all OSG segment result fell by 17.5% compared to a year ago. This was again mainly due to the Japanese Yen and US Dollar depreciation versus the RMB during the first six months of 2013. Segment result from the PSG group and also the Training business rose a healthy 22.8% and 27.8% respectively compared to the same period from last year.

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 36.7% and 52.3% from 2003 to 2012 respectively. The Group’s service revenue for the first half of 2013 recorded a year-on-year growth of 21.2%. The details are set out as follows:



Customers

For the first half of 2013, service revenue from the top five customers accounted for 39.5% of the Group’s total service revenue, while service revenue from the top ten customers accounted for 44.8% of the Group’s total service revenue.

The Group had 782 active customers in the first half of 2013, 198 of which were new customers. As of 30 June 2013, the Group had 65 customers cash generating service revenue of more than RMB6 million during the past four calendar quarters. The newly added large customers included a very large Chinese based internet company, a global household electric appliance manufacture and a large gold mining conglomerate.

Market

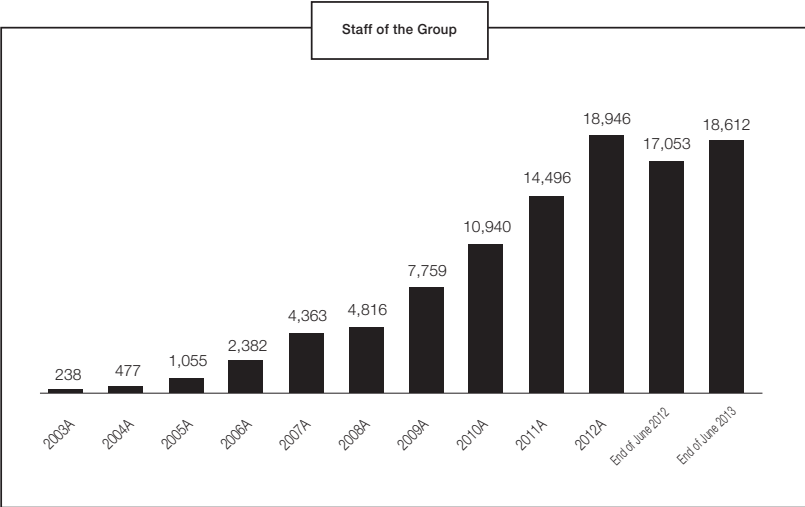
The Group operated its businesses mainly in Greater China.

In the first half of 2013, 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 2013, the Group had a total of 18,612 employees, representing an increase of 9.1% over 17,053 employees as of 30 June 2012. The average number of employees in the current period was 18,779 compared to that of 15,775 in the period one year ago. This is a rise of 19.0% which is slightly lower than the rise in our service revenue of 21.1%. This was mainly attributable to the gradual increase in the utilization rate of staff on projects as a result of the Company’s focus on operational efficiency by the Group.

Since the listing on the Growth Enterprise Market in 2003, details of the growth in staff size are set out as follows:



Earnings Capability

In the first half of 2013, the Group's EBITDA was RMB156.618 million (for the first half of 2012: RMB141.776 million), representing a growth of 10.5% over the same period of previous year. Details of reconciliation of profit for the period to EBITDA are set out as follows:

<i>RMB'000</i>	First half of 2013	First half of 2012	Growth rate
Profit for the period	80,698	65,437	23.3%
+Taxation	5,470	17,102	-68.0%
+Finance costs	20,413	14,260	43.1%
+Depreciation of property, plant and equipment	25,275	21,409	18.1%
+Amortisation of intangible assets and prepaid lease payments	25,255	23,826	6.0%
-Share of results of associates	493	258	91.1%
EBITDA	156,618	141,776	10.5%

In the first half of 2013, the Group's business contribution profit was RMB159.051 million (for the first half of 2012: RMB145.597 million), representing a year-on-year growth of 9.2%. In the first half of 2013, the business contribution profit margin was 11.6% (for the first half of 2012: business contribution profit margin was 12.4%), representing a decrease of 0.8% over the same period of the previous year; the business contribution profit margin of service revenue was 11.8% (for the first half of 2012: the business contribution profit margin was 13.1%), representing a decrease of 1.3% over the same period of the previous year. Details of reconciliation of EBITDA to business contribution profit are set out as follows:

<i>RMB'000</i>	First half of 2013	First half of 2012	Growth rate
EBITDA	156,618	141,776	10.5%
+Share option expenses	2,704	3,626	-25.4%
+Net foreign exchange (gain) loss	-10	23	-143.5%
+(Reversal of) Allowance for doubtful debts	-261	172	-251.7%
Business contribution profit	159,051	145,597	9.2%

OPERATING RESULTS

The following chart sets out the Group's consolidated statement of comprehensive income for the first half of 2013 and 2012 (unaudited):

	First half of 2013 RMB'000	Percentage of revenue	Percentage of service revenue	First half of 2012 RMB'000	Percentage of revenue	Percentage of service revenue
Revenue	1,371,671			1,173,504		
<i>Service Revenue</i>	<i>1,346,810</i>			<i>1,110,874</i>		
Cost of sales	(964,431)	(70.3%)		(812,804)	(69.3%)	
Gross profit	407,240	29.7%	30.2%	360,700	30.7%	32.5%
Other income, gains and losses	38,213	2.8%	2.8%	18,364	1.6%	1.7%
Selling and distribution costs	(79,307)	(5.8%)	(5.9%)	(65,242)	(5.6%)	(5.9%)
Administrative expenses	(235,064)	(17.1%)	(17.5%)	(193,283)	(16.5%)	(17.4%)
Allowance for doubtful debts	261	0.02%	0.02%	(172)	(0.01%)	(0.02%)
Amortisation of intangible assets and prepaid lease payments	(25,255)	(1.8%)	(1.9%)	(23,826)	(2.0%)	(2.1%)
Finance costs	(20,413)	(1.5%)	(1.5%)	(14,260)	(1.2%)	(1.3%)
Share of results of associates	493	0.04%	0.04%	258	0.02%	0.02%
Profit before taxation	86,168	6.3%	6.4%	82,539	7.0%	7.4%
Taxation	(5,470)	(0.4%)	(0.4%)	(17,102)	(1.5%)	(1.5%)
Profit for the period	80,698	5.9%	6.0%	65,437	5.6%	5.9%

REVENUE

In the first half of 2013, revenue of the Group amounted to RMB1,371.671 million (for the first half of 2012: RMB1,173.504 million), representing a growth of 16.9% compared to that of the previous year. Of which, service revenue was RMB1,346.810 million (for the first half of 2012: RMB1,110.874 million), representing a growth of 21.2% over the same period of last year. Once again approximately half of our revenue came from the PSG (48.4%) and the other half from OSG (48.2%) with the remaining from our Training Business.

In PSG, revenue growth was strong in the bank & financial, energy and manufacturing businesses. Bank and finance revenue continues to grow at an astonishing 50+% on a y/y basis while energy business begins to contribute meaningfully to overall PSG business. The Group's insurance business also registered impressive growth although from a small base in 2012. Our tobacco business grew at a more moderate and stable rate while our government business experienced some weakness as orders slowed. Our Government business has slowed in the current period as some of our customers in this sector have delayed deployment of their large projects. Presently this part of our business represents only a small portion of PSG revenue, therefore the total effect is relatively minor. Given the current environment, we are using the available resources to explore opportunities in cloud technology by leveraging capabilities from our emerging services team. In fact work has already begun as we work in cooperation with our strategic partner Alibaba side-by-side to pioneer into the government cloud based smart city projects.

Our well publicized win on the wireless Fetion project from ChinaMobile began operation towards the end of the current period but will have more meaningful revenue and profit contribution during the second half of 2013. The project is going on track and performing very well.

In OSG, in what is a very difficult operating environment for the IT outsourcing business, our anchoring (and strategic partner) Huawei came through once again as revenue grew by more than 30% in our Huawei business. The past six months period was very challenging for most IT outsourcing players as the Japanese yen depreciated significantly against currencies of all of its trading partners, including the RMB. Expectedly our Japan/Korea business suffered and experienced a modest decline in revenue compared to a year ago period. Revenue growth was strong in our greater China business while our American/European business grew moderately.

Our Training Business continues to grow strongly although it is now only a small part our overall revenue profile.

Service revenue of the Group by business segments for the first half of 2013 as compared with the corresponding period of last year is set out as follows:

<i>RMB '000</i>	First half of 2013	Weight	First half of 2012	Weight	Growth Rate
Professional Service Group (PSG)	639,091	47.5%	525,278	47.3%	21.7%
Outsourcing Services Group (OSG)	660,601	49.0%	551,124	49.6%	19.9%
Training Business	47,118	3.5%	34,472	3.1%	36.7%
Total Service Revenue	1,346,810	100.0%	1,110,874	100.0%	21.2%

The Group's service revenue by contract model in the first half of 2013 as compared with the corresponding period of the previous year is set out as follows:

<i>RMB'000</i>	First half of 2013	Weight	First half of 2012	Weight
Service revenue	1,346,810		1,110,874	
Fixed price	663,618	49.3%	548,271	49.4%
Time and material	653,196	48.5%	511,412	46.0%
Quantity-based	29,996	2.2%	51,191	4.6%
Total	1,346,810	100.0%	1,110,874	100.0%

COST OF MAIN BUSINESSES

In the first half of 2013, cost of the Group's main businesses accounted for 70.3% of the revenue (for the first half of 2012: 69.3%), representing an increase of 1.0% over the same period of the previous year. Cost of main businesses of the Group amounted to RMB964.431 million (for the first half of 2012: RMB812.804 million), representing an increase of 18.7% over the same period last year.

GROSS PROFIT

In the first half of 2013, the Group's gross profit was approximately RMB407.240 million (for the first half of 2012: RMB360.700 million), representing an increase of 12.9% over the first half of 2012. The Group's gross profit margin was 29.7% (for the first half of 2012: 30.7%), representing a decrease of 1.0% compared with that of the previous year. The gross profit margin for service revenue was 30.2% in the first half of 2013 (for the first half of 2012: 32.5%), representing a decrease of 2.3%. Of this decrease, about half of which is attributable to the effects of the exchange rates of Japanese yen, and the other half was due to a change in product structure as well as rising labor cost.

The Group continues to face rising labor costs. In addition to the normal cost-saving practices, the Group plans to adopt the following measures to alleviate pressure posted by the rising labor cost:

1. A renewed focus on next-generation technology and higher margin businesses such as Cloud enabling initiatives and mobile computing technologies. For example, our ChinaMobile Fetion business will have higher gross margins than our current businesses.
2. We are starting to implement a new internet based internal resource control system aimed at reducing billable time fragmentation in an effort to raise our utilization rate.

OTHER INCOME, GAINS AND LOSSES

In the first half of 2013, other income amounted to RMB38.213 million (for the first half of 2012: RMB18.364 million), representing an increase of 108.1% as compared with the same period of the previous year. The increase was primarily attributable to the significant increase in government grant in the first half of 2013 as compared with that of the corresponding period of 2012.

OPERATING EXPENSES

In the first half of 2013, selling and distribution costs amounted to RMB79.307 million (for the first half of 2012: RMB65.242 million), representing an increase of 21.6% over the first half of 2012, and the proportion of selling and distribution costs to revenue was 5.8%, representing an increase of 0.2% as compared to 5.6% in the first half of 2012. The proportion of selling and distribution costs to service revenue was 5.9% in the first half of 2013, which remained at the same level over the same period of last year. Typically, selling and distribution costs of the Group accounts for 6%-8% to service revenue.

In the first half of 2013, administrative expenses amounted to RMB235.064 million (for the first half of 2012: RMB193.283 million), representing an increase of 21.6% over the same period of 2012. The proportion of administrative expenses to revenue was 17.1% for the first half of 2013, an increase of 0.6% as compared with 16.5% for the first half of 2012. The proportion of administrative expenses to service revenue was 17.5%, an increase of 0.1% as compared with 17.4% for the first half of 2012.

The Group continues to invest to establish a platform in order to enhance our administration cost structure to achieve operating leverage as our business grows. In this front we expect to see more measurable improvements in the coming quarters.

EBITDA AND BUSINESS CONTRIBUTION PROFIT

In the first half of 2013, the Group recorded an EBITDA of RMB156.618 million (for the first half of 2012: RMB141.776 million), representing an increase of 10.5% over the same period of the previous year.

In the first half of 2013, the Group's business contribution profit amounted to RMB159.051 million (for the first half of 2012: RMB145.597 million), representing an increase of 9.2% over the same period last year. In the first half of 2013, the business contribution profit margin dropped by 0.8% over the same period last year to 11.6% (Business contribution profit margin based on service revenue was 11.8%, representing a decrease of 1.3% over the same period last year).

The decrease of EBITDA margin and business contribution profit margin was mainly attributable to the effects of the exchange rates and the decrease in gross profit margin based on service revenue.

FINANCE COSTS AND INCOME TAX

In the first half of 2013, finance costs accounted for 1.5% of the revenue, representing an increase of 0.3% over 1.2% for the corresponding period of 2012. Finance costs amounted to RMB20.413 million (for the first half of 2012: RMB14.260 million), representing an increase of 43.1% over the first half of 2012, which was mainly attributable to the increase in the borrowings denominated in RMB.

In the first half of 2013, income taxes accounted for 0.4% of the revenue, representing a decrease of 1.1% as compared with 1.5% in the corresponding period of 2012. Income taxes amounted to RMB5.470 million (for the first half of 2012: RMB17.102 million), representing a decrease of 68% as compared with the first half of 2012, which was mainly attributable to the increase of income tax refund. During the current period the Group was granted a more favorable tax treatment on our taxable income compared to the previous year same period. The Group expects this favorable tax treatment to continue although in less dramatic fashion. A more sustainable tax rate for the Group is estimated at 15% of taxable income.

OTHER NON-CASH EXPENSES

In the first half of 2013, the proportion of depreciation of property, plant and equipment to revenue was 1.8%, which remained at the same level as that for the first half of 2012. Depreciation of property, plant and equipment amounted to RMB25.275 million (for the first half of 2012: RMB21.409 million), representing an increase of 18.1% over the first half of 2012, which was mainly attributable to the increase in depreciation due to purchase of fixed assets to address its personnel expansion during the period.

In the first half of 2013, the proportion of amortisation of intangible assets to revenue was 1.8%, a decrease of 0.2% as compared with 2.0% in the first half of 2012. Amortisation of intangible assets amounted to RMB25.255 million (for the first half of 2012: RMB23.826 million), representing an increase of 6.0% over the first half of 2012.

In the first half of 2013, the proportion of share option expense to revenue was 0.2%, a decrease of 0.1% as compared with 0.3% in the first half of 2012. Share option expense amounted to RMB2.704 million (for the first half of 2012: RMB3.626 million).

In the first half of 2013, the reversal of allowance for doubtful debts amounted to RMB261,000 (for the first half of 2012: allowance for doubtful debts of RMB172,000).

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

In the first half of 2013, the Group achieved a profit of RMB80.698 million (for first half of 2012: RMB65.437 million), representing a year-on-year increase of 23.3%. The proportion of profit for the period to revenue was approximately 5.9% (for the first half of 2012: 5.6%), representing an increase of 0.3% over the same period of last year; the proportion of profit for the period to service revenue was approximately 6.0% (for the first half of 2012: 5.9%), representing an increase of 0.1% over the same period of last year.

During the current period, the Group's profit for the period was negatively affected by a negative exchange rate movement in the Japanese yen vs the RMB. This was partly offset by a the more favorable tax treatment on our taxable income compared to the previous year same period.

Excluding the profit attributable to minority shareholders, in the first half of 2013, profit attributable to owners of the Group was RMB 72,309,000 (for the first half of 2012: RMB59,724,000), representing an increase of 21.1 % over the same period of previous year. Based on the profit attributable to the owners of the Group, our basic earnings per share for the first half of 2013 were calculated as approximately RMB4.20 cents (for the first half of 2012: basic earnings per share of RMB3.65 cents), representing an increase of 15.1% over the same period of last year.

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, 2013 with corresponding figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

		For the six months ended 30 June,	
	<i>Notes</i>	2013 RMB'000	2012 RMB'000
Turnover	3	1,371,671	1,173,504
Cost of sales		(964,431)	(812,804)
Gross profit		407,240	360,700
Other income, gains and losses		38,213	18,364
Selling and distribution costs		(79,307)	(65,242)
Administrative expenses		(235,064)	(193,283)
Allowance for doubtful debts		261	(172)
Amortisation of intangible assets		(25,255)	(23,826)
Finance costs	4	(20,413)	(14,260)
Share of result of associates		493	258
Profit before taxation		86,168	82,539
Taxation	5	(5,470)	(17,102)
Profit for the period		80,698	65,437
Other comprehensive income			
Exchange differences arising on transaction of foreign operations		2,411	(1,444)
Total comprehensive income for the period		83,109	63,993
Profit for the period attributable to:			
Owners of the Company		72,309	59,724
Non-controlling interests		8,389	5,713
		80,698	65,437
Total comprehensive income attributable to:			
Owners of the Company		74,728	58,288
Non-controlling interests		8,381	5,705
		83,109	63,993
Earnings per share	7		
– Basic (cents)		4.20	3.65
– Diluted (cents)		4.15	3.48

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30 June, 2013	(Audited) 31 December, 2012
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		133,786	132,853
Intangible assets		233,977	159,330
Goodwill		745,408	629,075
Interests in associates		28,109	27,616
Available-for-sale investment		25,000	25,000
Prepaid lease payments		57,952	42,477
Deferred tax assets		10,515	10,515
		1,234,747	1,026,866
Current assets			
Inventories		48,109	23,989
Trade and other receivables	8	1,341,634	1,039,396
Prepaid lease payments		150	1,038
Amounts due from associate		–	10,182
Amounts due from customers for contract work		574,840	561,359
Amount due from related companies		–	205
Pledged deposits		2,124	4,468
Bank balances and cash		514,062	774,847
		2,480,919	2,415,484
Current liabilities			
Trade and other payables	9	620,400	668,918
Bills payable		1,672	7,071
Amounts due to customers for contract work		123,412	110,506
Amounts due to related companies		–	9,196
Dividend payable to shareholders		74	75
Taxation payable		20,443	39,312
Borrowings		430,900	309,300
Convertible loan notes		194,861	199,087
		1,391,762	1,343,465
Net current assets		1,089,157	1,072,019
Total assets less current liabilities		2,323,904	2,098,885

		(Unaudited) 30 June, 2013 <i>RMB'000</i>	(Audited) 31 December, 2012 <i>RMB'000</i>
	<i>Notes</i>		
Non-current liabilities			
Deferred tax liabilities		17,602	17,602
Borrowings		69,400	19,000
		<u>87,002</u>	<u>36,602</u>
		<u>2,236,902</u>	<u>2,062,283</u>
Capital and reserves			
Share capital	10	84,667	81,804
Share premium		1,565,981	1,466,006
Reserves		456,685	379,814
		<u>2,107,333</u>	<u>1,927,624</u>
Equity attributable to equity holders of the Company		<u>129,569</u>	<u>134,659</u>
Non-controlling interests		<u>2,236,902</u>	<u>2,062,283</u>
Total equity			

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the company											
	Share capital	Share premium	Translation reserve	Convertible Share options reserve	Convertible loan notes reserve	General reserve fund	Statutory enterprise expansion fund	Statutory surplus reserve fund	Accumulated fund	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
At 1 January, 2013	81,804	1,466,006	(1,933)	69,758	15,167	15,793	26,749	29,072	225,208	1,927,624	134,659	2,062,283
Profit for the period	-	-	-	-	-	-	-	-	72,664	72,664	8,389	81,053
Exchange differences arising from translation of overseas operations	-	-	2,419	-	-	-	-	-	-	2,419	(8)	2,411
Total comprehensive income for the period	-	-	2,419	-	-	-	-	-	72,664	75,083	8,381	83,464
Acquisition of business	2,573	86,019	-	-	-	-	-	-	-	88,592	-	88,592
Acquisition of additional equity interest in subsidiary	197	11,512	-	-	-	-	-	-	-	11,709	(13,825)	(2,116)
New issue of shares upon exercise of share option	93	2,444	-	(562)	-	-	-	-	-	1,975	-	1,975
Recognition of equity-settled share based payments	-	-	-	2,704	-	-	-	-	-	2,704	-	2,704
Appropriations	-	-	-	-	-	549	-	1,165	(2,068)	(354)	354	-
At 30 June, 2013	84,667	1,565,981	486	71,900	15,167	16,342	26,749	30,237	295,804	2,107,333	129,569	2,236,902

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Six months ended	
	30 June,	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash used in operating activities	(300,290)	(288,282)
Net cash used in investing activities	(117,701)	(35,310)
Net cash generated from financial activities	<u>158,545</u>	<u>73,308</u>
Net decrease in cash and cash equivalents	(259,446)	(250,284)
Effect of foreign exchange rate changes	(1,339)	(852)
Cash and cash equivalents at the beginning of the period	<u>774,847</u>	<u>772,950</u>
Cash and cash equivalents at the end of the period	<u><u>514,062</u></u>	<u><u>521,814</u></u>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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, 2012.

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 HKAS 12	Deferred Tax: Recording of Underlying Assets
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

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	
	2013	2012	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Professional Services Business (PSG)	663,952	587,908	67,694	55,134
Outsourcing Services Business (OSG)	660,601	551,124	50,782	61,576
Training Business	47,118	34,472	1,694	1,325
	1,371,671	1,173,504	120,170	118,035

Segment revenue by products and services:

	For the six months ended 30 June,	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Sale of software and hardware products	24,861	62,630
Professional Services Business (PSG)	639,091	525,278
Outsourcing Services Business (OSG)	660,601	551,124
Training Business	47,118	34,472
	1,346,810	1,110,874
	1,371,671	1,173,504

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

	For the six months ended 30 June,	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Segment results	120,170	118,035
Other income, gains and losses	2,551	667
Corporate expenses	(29,828)	(29,096)
Effective interest on convertible loan notes	(6,725)	(7,067)
Profit before taxation	86,168	82,539

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 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,	
	2013	2012
	RMB'000	<i>RMB'000</i>
Interest on borrowings wholly repayable within five years	13,688	7,193
Effective interest on convertible loan notes	6,725	7,067
	<u>20,413</u>	<u>14,260</u>

5. TAXATION

	For the six months ended 30 June,	
	2013	2012
	RMB'000	<i>RMB'000</i>
Tax charge comprises:		
PRC Enterprise Income Tax	5,325	16,142
Hong Kong Profits Tax	–	–
The US Federal and State Income taxes	145	5
Japan Income Tax	–	955
	<u>5,470</u>	<u>17,102</u>

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, 2012 and interim dividend for the period ended 30 June, 2013 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,	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings for the purposes of calculating basic and diluted earnings per share	72,309	59,724
	=====	=====
	Number of shares	
	2013	2012
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,720,162,999	1,636,163,049
	-----	-----
Effect of dilutive potential ordinary shares: Issuable under the Company's share option scheme	21,157,112	80,235,168
	-----	-----
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,741,320,111	1,716,398,217
	=====	=====

The computation of diluted earnings per share for the period ended 30 June 2012 and 30 June 2013 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, 2013 <i>RMB'000</i>	(Audited) 31 December, 2012 <i>RMB'000</i>
Trade receivables	879,213	589,501
Less: Allowance for doubtful debts	(94,853)	(95,114)
	<hr/>	<hr/>
	784,360	494,387
Trade receivables from related companies	276,859	335,422
	<hr/>	<hr/>
	1,061,219	829,809
Advances to suppliers	128,273	91,114
Deposits, prepayments and other receivables	152,142	118,473
	<hr/>	<hr/>
	1,341,634	1,039,396
	<hr/> <hr/>	<hr/> <hr/>

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, 2013 <i>RMB'000</i>	(Audited) 31 December, 2012 <i>RMB'000</i>
Within 90 days	550,334	601,133
Between 91-180 days	298,993	116,221
Between 181-365 days	155,162	54,822
Between 1-2 years	44,808	56,828
Over 2 years	11,922	805
	<hr/>	<hr/>
	1,061,219	829,809
	<hr/> <hr/>	<hr/> <hr/>

The fair value of the Group's trade and other receivables at 30 June, 2013 was approximately equal to the corresponding carrying amount.

9. TRADE AND OTHER PAYABLES

	(Unaudited) 30 June, 2013 <i>RMB'000</i>	(Audited) 31 December, 2012 <i>RMB'000</i>
Trade payables	417,035	342,149
Trade payable to a related company	–	2,996
	<hr/>	<hr/>
	417,035	345,145
Deposits received from customers	33,618	50,960
Other payables and accrued charges	169,747	272,813
	<hr/>	<hr/>
	620,400	668,918
	<hr/> <hr/>	<hr/> <hr/>

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, 2013 <i>RMB'000</i>	(Audited) 31 December, 2012 <i>RMB'000</i>
Within 90 days	281,921	143,443
Between 91-180 days	16,015	36,729
Between 181-365 days	73,116	49,998
Between 1-2 years	32,562	89,102
Over 2 years	13,421	25,873
	<hr/>	<hr/>
	417,035	345,145
	<hr/> <hr/>	<hr/> <hr/>

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, 2013 was approximately equal to the corresponding carrying amount.

10. SHARE CAPITAL

Ordinary shares of HK\$0.05 each:

		Number of shares	Nominal amount HK\$
Authorised			
At 1 January, 2012, 30 June, 2012, 1 January, 2013 and 30 June, 2013		4,000,000,000	200,000,000
		Number of shares	Nominal amount HK\$
			Amount shown in the financial statements RMB'000
Issued and fully paid			
At 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
Exercise of options	69,617,000	3,480,850	2,847
Share repurchase and cancelled	(140,000)	(7,000)	(6)
At 31 December, 2012 and 1 January, 2013	1,718,364,659	85,918,233	81,804
Exercise of options	2,310,000	115,500	93
Issue of new shares (<i>note a</i>)	69,514,274	3,475,714	2,770
At 30 June, 2013	1,790,188,933	89,509,447	84,667

Notes:

- (a) Pursuant to a resolution passed by directors of the Company on 23 April 2013, 4,260,000 new shares of the Company of HK\$0.05 each were allotted and issued as fully paid to the former shareholders of Shanghai Huateng Software Systems Co., Ltd. ("Huateng") at the consideration of HK\$1.80 per share for the acquisition of 2.44% equity interest in Huateng.

Pursuant to a resolution passed by directors of the Company on 27 December 2012, 65,254,274 new shares of the Company of HK\$0.05 each were allotted and issued as fully paid to the former owner of the State grid electric power information service business and the related assets at the consideration of HK\$1.9065 per share (equivalent to RMB100,000,000) for the acquisition of the State grid electric power information service business and the related assets.

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 2012 and 2013, the Group had the following transactions with the following related parties:

		For the six month ended 30 June,	
	Notes	2013 RMB'000	2012 RMB'000
Provision of IT outsourcing services			
– 日本國株式會社CDI	(a)	–	4,939
– Huawei Group	(b)	308,810	–

Notes:

- (a) 日本國株式會社CDI is former substantial shareholder of Dalian Digitall, a subsidiary of the Company. Following the acquisition of entire remaining equity interest in Dalian Digitall by Chinasoft Resource Internation in June 2012, 日本國株式會社CDI ceased to be a related party of the Group thereafter. The transactions with 日本國株式會社CDI shown above represent the transactions occurred up to June 2012.
- (b) Huawei is the non-controlling owner of CSITS, a non-wholly owned subsidiary of the Company. Following the establishment of CSITS in April 2012. Huawei Group became a related party of the Group thereafter.

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 RMB910,001,000, including the directors' emoluments of approximately RMB2,283,000 during the six months ended 30 June, 2013 (2012: approximately RMB698,451,000, including the directors' emoluments of approximately RMB2,290,000). The increase in employee remuneration resulted from the increase in the number of employees from 17,053 to 18,612.

The amortisation charge of intangible assets and depreciation during the six months ended 30 June, 2013 of the Group amounted to approximately RMB25,255,000 (2012: RMB23,826,000) and approximately RMB25,275,000 (2012: RMB21,409,000), respectively.

DIRECTORS' INTERESTS IN SHARES

As 30 June, 2013, 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, 2013
Zhao John Huan	335,076,453	18.72%
Chen Yuhong	171,579,039	9.58%
Tang Zhenming	11,747,765	0.66%
Jiang Xiaohai	6,872,447	0.38%
Wang Hui	6,277,838	0.35%
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, 2013	No. of share options exercised during the period	No. of share options outstanding as at 30 June, 2013	Percentage of total issued ordinary share capital of the Company as at 30 June, 2013	No of underlying ordinary shares interested in	Note
Tang Zhenming	0.58	80,000	–	80,000	0.004%	4,180,000	(1)
	0.65	1,300,000	–	1,300,000	0.07%		(2)
	0.97	800,000	–	800,000	0.04%		(3)
	1.78	2,000,000	–	2,000,000	0.11%		(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, 2013, there were share options to subscribe for an aggregate of 143,119,600 Shares granted to certain Directors and employees of the Group pursuant to the Share Option Scheme outstanding.

During the six months ended 30 June, 2013, an aggregate of 2,310,000 share options were exercised, an aggregate of 60,000 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, 2013 none of the Directors was granted options to subscribe for shares of the Company and as at 30 June, 2013 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, 2013, 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, 2013.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June, 2013, the board of directors of the Company believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. The code provisions in the Code on Corporate Governance Practices of the Listing Rules (the "Code") have served as guideposts for the Company to follow in its implementation of corporate governance measures.

Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarized below.

The Stock Exchange has made various amendments to the Code on Corporate Governance Practices (the "Former Code") set out in Appendix 14 of the Listing Rules, and the revised code, namely the "Corporate Governance Code and Corporate Governance Report" (the "Revised Code"), became effective on 1 April 2012. In the opinion of the Board, the Group has complied with the Former Code from 1 January, 2013 to 30 June, 2013 and the Revised Code from 1 April, 2012 to 30 June, 2013, except that (i) the Chairman of the Board was not able to attend the annual general meeting of the Company held on 20 May, 2013 (the "2012 AGM") (deviated from code provision E.1.2) due to other business commitment. However, one of the independent non-executive Directors attended and acted as the Chairman of the 2012 AGM; (ii) the roles of chairman and chief executive officer should be separate and should not be performed by the same individual (deviated from code provision A.2.1).

The Board will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest developments.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rule relating to dealings in securities. Having made specific enquiry of all the Directors, the Directors complied with the Model Code regarding securities transactions by the Directors throughout the year ended 30 June, 2013.

SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors, as at 30 June, 2013, 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	335.08	18.72%	17.57%
Hony Capital Fund 2008, L.P. (Note 1)	Interest of controlled corporation	335.08	18.72%	17.57%
Hony Capital Fund 2008 GP L.P. (Note 1)	Interest of controlled corporation	335.08	18.72%	17.57%
Hony Capital Fund 2008 GP Limited (Note 1)	Interest of controlled corporation	335.08	18.72%	17.57%
Hony Capital Management Limited ("Hony Capital") (Note 1)	Interest of controlled corporation	335.08	18.72%	17.57%

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
Zhao John Huan (Note 2)	Interest of controlled corporation	335.08	18.72%	17.57%
Right Lane Limited (Note 2)	Interest of controlled corporation	335.08	18.72%	17.57%
Legend Holdings Limited ("Legend Holdings") (Note 3)	Interest of controlled corporation	335.08	18.72%	17.57%
Chinese Academy of Sciences Holdings Co., Ltd. (Note 4)	Interest of controlled corporation	335.08	18.72%	17.57%
Chinese Academy of Sciences (Note 4)	Interest of controlled corporation	335.08	18.72%	17.57%
Beijing Lian Chi Zhi Yuan Management Consulting Center (Note 5)	Interest of controlled corporation	271.48	15.16%	14.24%
Beijing Lian Chi Zhi Tung Management Consulting Ltd. (Note 5)	Interest of controlled corporation	271.48	15.16%	14.24%
Greater Pacific Capital Partners, LP ("GPC") (Note 6)	Beneficial interest	119.27	6.66%	6.26%
EJF Capital LLC ("EJF") (Note 7)	Beneficial interest	116.40	6.50%	6.11%
Far East Holdings International Limited ("Far East Holdings") (Note 8)	Beneficial interest	113.40	6.33%	5.95%
Microsoft Corporation ("Microsoft") (Note 9)	Beneficial interest	97.25	5.43%	5.10%

* The total number of issued share consists of 1,790,188,933 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.

Save as disclosed above, as at 30 June, 2013, 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, 2013, 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 four independent non-executive directors, namely Mr. Zeng Zhijie, Dr. Leung Wing Yin Patrick, Dr. Song Jun 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, 2013.

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

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June, 2013.

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

19 August, 2013, Hong Kong

As at the date of this announcement, the directors of the Company are as follows:

Executive Directors:

Dr. CHEN Yuhong (*Chairman and Chief Executive Officer*), Dr. TANG Zhenming, Mr. WANG Hui

Non-executive Directors:

Mr. ZHAO John Huan, Dr. ZHANG Yaqin, Mr. LIN Sheng

Independent Non-executive Directors:

Mr. ZENG Zhijie, Dr. LEUNG Wing Yin, Dr. SONG Jun

* *For identification purpose only*