INTERIM REPORT 2014

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

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HIGHLIGHTS

Results for the first half of 2014

Income statement highlights	For the six months ended 30 June (unaudited) 2014 RMB'000	(unaudited) 2013 RMB'000	% Increase (over the same period last year)
Revenue	**1,937,639**	1,371,671	41.3%
Revenue from service	**1,909,225**	1,346,810	41.8%
Gross profit	**581,198**	407,240	42.7%
Profit for the period	**115,088**	80,698	42.6%
Profit attributable to Owners of the Group	**101,265**	72,309	40.0%
EBITDA	**229,907**	156,618	46.8%
Basic EPS (RMB cents)	**5.45**	4.20	29.7%

Statement of financial position highlights	(unaudited) 30 June 2014 RMB'000	(audited) 31 December 2013 RMB'000	% Increase
Total assets	**4,719,627**	4,672,957	1.0%
Total liabilities	**(2,163,443)**	(2,231,756)	(3.1%)
Total equity	**2,556,184**	2,441,201	4.7%

- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014.
- No closure for the Register of Members of the Company.

CHAIRMAN'S REPORT

Dear Investors:

Shortly before the release of this interim report, with the support from investor friends and the Group's management, I took control of all the shares of Far East Holdings, a previous majority shareholder of the Group, and became the second largest shareholder of the Group. I truly thank everyone for their help and support! We will work diligently to improve the Group's business. Our strong determination coupled with confidence will help the Group achieve the two-10-billion (RMB 10 billion market capitalization and RMB 10 billion sales) goal that was set in the new three-year plan.

During the first of 2014, the Company's businesses grew at a favorable rate and reached expectations. Specifically, the three highlights of progress are as follow:

1. **Huawei Strategy: Firmly Established with Growing Profit**

   It has been two years since the reorganization of the IT outsourcing business in 2012 to create a JV with Huawei, and the JV has completed the integration process and achieved stable operating direction. For the first half of 2014, the Huawei business achieved a YOY growth of 90% with increased profitability. The success of the JV has earned approval from Huawei. Huawei's managing board believes that the JV between Huawei and ChinaSoft aligns with Huawei's strategy and complement one another, and fully endorses the JV's delivery and quality control capabilities. As a result, they have decided to continue with the JV model and increase business volume with the JV. This serves as a positive motivation to our team, and is also a signal that we have accomplished phase one of our strategy layout with Huawei (earn the trust of Huawei through stable growth of outsourcing business). We now enter phase two, to use Huawei to rapidly increase businesses in different verticals and overseas. The Group and Huawei entered into another cooperative strategy recently. This cooperation will allow the Group to leverage its existing vertical advantages to work with Huawei and expand core corporate businesses (in existing and new verticals), and provide more secure and more responsive IT services. Looking back, when we first established the JV, we knew we were going to "lead with OSG, and the PSG would follow". Now this strategic opportunity is finally upon us. In particular, under the "secure, reliable, and self-controlled" national information strategy, the full-on cooperation with Huawei will be the first driver to help us achieve our RMB 10 billion revenue.

2. **The JointForce Platform: Beta Testing Reached Expectations**

   The development and the operating of the Internet software service platform, Jointforce, has been the Group's priority in 2014. With that I am pleased to report to you that during the reporting period, JointForce platform has finished the basic development and reached closed beta testing. Currently, there are over 7,000 registered users, of which around 3,000 users have either posted or bid on jobs for a number of 500 projects. Of which, the entire PSG government business line is now live on JF and has finished online delivery. The central themes of JF are: payment upon completion of project as a true mark of project completion, subdivide projects into "micro projects" as measurement (divide, grab, deliver, and evaluate projects), business unit managers, project managers, and developers' "micro management system" that is based on projects (from project management standpoint, it is from bottom up to ensure margins through a transparent support system). From a SaaS standpoint, we've also associated every JointForce related feature with the word "jie", and put it on Ali-cloud. For example, the corporate instant messaging platform JetChat has "jie" network, then using "jie" mission for online delivery, using "jie" resume and "jie" code to create a "jie" community and finally forming an ITS platform ("jie" in English means outstanding and liberate). We can see the trend of long tail markets (like our government line) to fully take advantage of our system by combining internal managements system with outside resources. From the close beta, we can already see this happening.

The team is working tirelessly day and night for JointForce, to become the advocates and practitioners of a new ITS model. The Group plans on releasing open beta in the fourth season, so stay tuned.

3. Continue to Expand SMAC Capabilities: Becoming a Leading Force

In terms of mobile, the Group and China Mobile's Fetion business has deepened its partnership. The Group successfully took over Fetion's core product development and operation for last year's contract, and was able to sign a new contract with China Mobile for the 2014-2015 year. Within the last year (contract period), the Group launched over 30 different online versions, and received high praise from China Mobile and clients to become a stable service provider of Fetion. Meanwhile, the Group is actively working with China Mobile in its new "three new" integration messaging strategy project (new calling, new notification, and new communication), to help with the planning, design, and development. The Group has a high chance of becoming the core application developer of this "three new" project and other 4G based project because of the successful partnership we have with Fetion now. Indubitably, we are at a mobile era, and working with China Mobile brings a lot of potential.

In terms of cloud services, the Group has completed over 6000 Ali-cloud cloud migration cases, including the CITIC 21CN drug monitoring system, and the customer satisfaction rate is over 99%. With Ali promoting "digital Internet city" project, the cloud migration and operation has become a standard of the cloud services. The first execution of it will be at Guizhou and Ningxia. Meanwhile, Catapult, a Microsoft Azure service integrator, is developing new solutions as a service to deal with business issues based on intellectual property rights and consulting services that helps businesses realize profits from cloud services. These services will be pushed out in the fourth quarter (or midyear for Microsoft). We can say responsibly that we are real practitioners of the cloud.

The rapidly changing environment has required us to work non-stop. During the reporting period, the Group invested in a "pioneering" fund in Silicon Valley to search for SaaS companies (that matches our SMAC description), to invest and bring to domestic markets. With this, we hope to continue to lay blueprints for our technology and business models in order to maintain our leading positions.

Once again, 2014 is the year when we will witness history. The Group has prepared for a long time for this, and now is the time to start and take off!

BUSINESS OVERVIEW UPDATE

The "Business Overview" of the interim results is the section that reveals the Group's overall business descriptions, including corporate strategy, business development history, competitive landscape and competitive strengths business approach, description of the Group's services, and industry verticals. The overall section remains relatively unchanged, which is why this section will highlight the important updates made to the "Business Overview". For the complete information, please read the "Business Overview".

Strategy

JointForce Platform (JF): During the reporting period, the Group launched an internal close beta version of JF. As of this writing there are over 7000 people registered on this system, and over 500 projects posted, validating the JF's digital management system from task division to task allocation/assignment, and then to task completion. Even as JF ensured quality of the project, it also increased work efficiency and through the system's automated engineer tracking system, which provides management the ability to easily identify the quality of each engineer. Through the platform, we were able to successfully outsource different tasks to external engineers and using the PTS, ensure the quality and delivery of each project. As the close beta testing becomes more stable, the Group will release the open beta version in the fourth quarter. Through operation and promotion of JointForce, the management envisions a future that each customer is a VIP, each engineer is an expert in his/her segment, and that IT enterprises' revenue and service quality will rise to a much higher level. In addition, the Group will cooperate with IT service enterprises, IT staffs and customers to outline a flourishing IT industry transformation.

Competitive Landscape and Competitive Advantages

As of 30 June 2014, the Group has 23,989 employees. Strong and stable group of core employees (with company options) and a robust human resource supply platform.

Business Scope

Emerging Services Business: During the reporting period, the ESG expanded its capabilities to mobile Internet product and service, cloud migration and operation, cloud consulting and customized SaaS, and PaaS.

Segment Description

Emerging Services Business (ESG): The Emerging Service Business will build on the Group's inherent resource advantages, and focus on 2B (to Business) and 2B2C (to Business and to Consumer) new business operation in the long tail markets. The Group will use customer experiences and elastic services as foundation, and build a three layered pyramid business structures based on innovation, application, and business operation. Combined with partners that share the Group's ideology, we will create a brand new ecosystem that will transform the traditional industries through social, mobile, analytics, and cloud-based products. From the smart mobile terminal, the Group can create a new and better lifestyle with instant messaging, social media, wireless cities, and etc. From the cloud terminal, the Group can build a system of service clouds, from government, industry, to enterprise cloud, and establish a beautiful cloud ecosystem.

1) Mobile Internet product and service

The Group is the one of earlier mobile application product designers and is also one of largest professional mobile end developer and adaptation of service providers. The Group provides Instant message, fusion of communication, mobile social, mobile payment, enterprise mobile application, application shopping mall, and internal product design, as well as development and operating marketing service.

2) Cloud migration and operation service

Since the corporation with Ali-Cloud, ChinaSoft has been carrying out related technical services including light Cloud migration, independent host migration, system configuration, software configuration, data backup, data transfer and system configuration, Clients cover individual user, professional user, as well as enterprise user. It also provides maintenance service for users. In the near future it will cooperate with Ali-Cloud launched new technology and provide more professional services and explore new cooperation and territories.

3) Cloud consulting and SaaS service

The era of cloud computing has arrived for those that want to simplify IT, push innovation, increase returns on IT investments, and increase efficiency in operations. The Group entered into a strategic agreement with Ali-Cloud, the leading Chinese cloud computing company, to provide cloud consulting and customized services. Innovation is treated as a standard today, including rich social experience, mobile payment, friendly user interface, structured and unstructured instant search data and regularly and upgrade without interference, The Group's SaaS solution project combine user needs by innovation technology. These innovation functions are able to disrupt the client's core business and enhance its core system performance. Furthermore, the Group already signed strategic cooperation with Alibaba Group to participate in its "Digital Internet City" project. The Group will work on the PaaS level.

4) PaaS (Software interface in the Cloud products) and services

Radar Cloud PaaS platform is the Group's proprietary PaaS product that enables cloud development, integration, management, and serves as a portal to link with other cloud partners. Radar Cloud PaaS platform is the result of the Group's business innovation and dedication to products. It is also the result of the Group's strategy to go smart in verticals including government, medicinal, transportation, real estate, education, and etc, The Group focuses on new technology, new models, and will use the Radar Cloud PaaS platform as the base for cloud computation to improve the Group's cloud capabilities, further pushing smart transformation.

I. RECENT DEVELOPMENT

PSG Business Progress

Financial Services and Banking: During the reporting period, the finance and banking businesses maintained its high growth rate. Its three core products: bank cards, credit finance, and payment and settlement continue to maintain leading market positions. The bank cards product line increased to over a dozen new city merchants and third party payment projects locally (Henan, Zhejiang, Jiangsu, and etc.), as well as the oversea branch of existing stated owned banks and financial institutions to expand globally. The credit cards core system achieved breakthroughs in new customer acquisition. The payment and settlement product line maintained the top three leading market position through its newly acquired customer base while the supply chain finance product line remained the market leader. Through cooperation with Suning, Haier and other large enterprise customers, and CTrip, SAIC, and other non-finance customers, the business in enterprise finance was able to achieve rapid growth. Through internal structure reorganization and improved service process, the Group was able to increase the service capabilities and qualities that it offered to its traditional large customers. For instance, a large manufacturing bank achieved a 50% YOY growth in business through the Group's service.

Government and Enterprises: During the reporting period, the Group maintained its leading position in the auditing industry and successfully promoted its mature audit solutions all across the nation. The Group successfully signed contract with a leading digital publishing platform, providing strong support for customers in needs of digital transformation. In addition, the Group continued to maintain the existing industry dominant position, and signed an annual operational service contract with an agricultural firm and flight company. The entire government line is on the JointForce platform. While the employee number remained stagnant, business signing, receivables collection, and execution capabilities are higher than that of the same reporting period last year. The management is more refined and the work efficiency clearly increased.

Manufacturing and Circulation: During the reporting period, data center business is continuing growth, the group entered into agreement with many enterprises under China tobacco Yunnan, Xinxiang tobacco successively to perform data center project. The data application ability gains customers' acceptance, the group entered into agreement with many enterprises under hunan tobacco, inner Mongolia tobacco to do data statistics application project, the group big data tech. has been effectively accumulated and developed. Continuing expanding MES (manufacturing execution system) scale, keep the leading position in that market area. The group entered into agreement with many enterprises under China tobacco Shandong to implement MES project, and successfully entered into agreement with a leading plasthetics manufacturing company in MES area; enhancing the leading position in tobacco monopoly internal monitor market, the group entered into agreement with many enterprises under hunan tobacco to do the internal monitor upgrading project on province level. The group entered into agreement with a national leading enterprise of agriculture industrialization for two logistic parks of public information platform project. To realize the logistic supply chain core ability of the group can be effectively expanded and copied in the new industry.

Insurance and Securities: During the reporting period, the Group bid and contracted with different clients, including HSCB software and China Securities Depository and Clearing Corporation Limited (CSDC), exploring a better business service to meet clients needs, and to gain the stable market share and market positing. Meanwhile, the Group achieved a breakthrough in providing insurance core business, channel management, financial management, e-commerce, money laundering field, and etc. through highly efficient customer service and lots of industry experience.

Public Services: During the reporting period, the Group won a number of bids consecutively for ACC projects for rail transit of several major cities in the Central South and Southwestern China. The Group continued to strengthen and enhance its dominant position in the rail transit industry. The Group contracted with an airport for device management system, and successfully broke into the field. Mobile operation business continues to grow and the Group also signed a contract for e-commerce project. This project will include a second phase platform construction for a company and risk control project for the e-commerce company.

Electricity Distribution: During the reporting period, the Group maintained a steady market position and operation in the electricity marketing, integration of raw intensive materials, and transportation field. Meanwhile, the Group continues to uphold the industry advisory capacity driven solutions business philosophy, and won the bid of a (LNG) filling stations IC card charging system maintenance service project. This also allowed the Group to break into the oil industry. In the field of energy conservation, driven by the business advisory, the Group has an in depth cooperation with the XJ group.

OSG Business Progress

Huawei: During the reporting period, the JV with Huawei has finished integration phase, and the overall operation is getting better each year. The Huawei business achieved a YOY growth of 90%, with the profitability improving. The JV's result, delivery and quality control capabilities, has earned much approval from Huawei, and Huawei believe that the JV will align with its strategy going forward. As the business scale continues to expand, the management faces more difficulties. With the JV, the Group is able to build a proper IT outsourcing quality control system, information security system, human resource supply chain, performance evaluation system, core talent training program, and fighting corporate culture, all of which are irreplaceable in overcoming the management difficulties to increase work efficiency and refine management during the reporting period.

Microsoft: During the reporting period, the strategic cooperation with Microsoft deepened, as the Group became the only provider of Microsoft voice translation business for the next generation Microsoft Office in China. This is the first time that the Group will be working with Microsoft's hardware department, breaking into different businesses other than design. Other off shore activities including Seattle is now managed by Catapult, and since the renewal rate of Microsoft related contract in the new fiscal year was over 90%, the new management team of Catapult is clearly working effectively.

Greater China: During the reporting period, the Internet business grew steadily, the Tenxun business had yet another breakthrough to help the group become their number one outsourcing supplier. Telecommunication business also achieved breakthroughs and entered into a short list of China Mobile Research Institute. This will allow the Group to break into China Mobile's cloud computation system, Internet platform, Internet application, and terminal technology and become a service provider to China telecommunications cloud companies (combining cloud with telecommunications). In addition, the Group successfully entered the education business through winning the bid for "National Teacher's Information Management System." This system will become the core business for the government's "Golden Teacher Project," and lay a solid foundation for the Group's expansion in the education sector.

Japan/Korea: During the reporting period, the Japanese business maintained stable growth. In terms of BPO, the Group successfully entered into Japan's small to mid tier banks and securities. High-level businesses such as finance and insurance is already of scale. In terms of ITO, for transportation sector, railroad equipment management and cost calculating business achieved a break through. For mobile terminal testing, the business scale and customer number continue to increase.

ESG Business Progress

Feition: During the reporting period, the Group and China Mobile's Fetion business has deepened its partnership. The Group successfully took over Fetion's core product development and operation as noted in last year's contract and earned high approval from China Mobile. As a result, the Group was able to sign a new contract with China Mobile for the 2014-2015 year. Within the last year (contract period), the Group launched over 30 different online versions, and received high praise from China Mobile and clients to become a stable service provider of Fetion. Meanwhile, the Group is actively working with China Mobile in its new "three new" integration messaging strategy project (new calling, new notification, and new communication). The Group has a high chance of becoming the core application developer of this "three new" project as a part of China Mobile's 4G strategy layout because of the successful partnership the Group has with Fetion now.

Unified Payment: During the reporting period, the Group, in cooperation with China Mobile, has launched "China Mobile payment platform", and already linked the platform with BOSS platform, Tmall and a number of different banks in different provinces. The launched system already completed a large amount of phone fees and payment transaction. Currently, the Group is working on a new contract with China Mobile for phase two of "mobile payment platform" and planning for the phase three. For the innovation in mobile payment area, the Group invested plenty of resources, which are expected to play a greater role in mobile voice, SMS, and flow management.

Peaceful/Harmonious Living: During the reporting period, China Mobile's "wireless city" project, which the Group is a part of, has been upgraded to China Mobile's "peaceful/harmonious living" system. The Group is developing new products of "peaceful/harmonious living" while actively extending the contract. In the future, "peaceful/harmonious living" will surround the wireless city, smart city, mobile internet, and O2O business.

Radar Cloud Middleware Product: This is the first Ali-cloud based public PaaS platform in China, providing middleware for different vertical customers to provide cloud application development, integration, and management. This middleware's design is tended to be an Internet product, providing a simple, high efficiency SaaS, with flexible technology that can be safely managed, self-developed, and self-operated at a high quality. During the reporting period, the Radar Cloud has been applied to government, pharmaceutical, and real estate businesses to create new business value for customers and developers.

Cloud migration and operation: During the reporting period, the Group provided high quality cloud migration services to over 3800 clients. As of now, the Group finished over 6000 Cloud migration cases, and reached a market leader position in cloud migration with over 99% customer satisfaction rate. For the provinces that's pushing "Information Internet City" (Guizhou and Ningxia among the first ones), cloud migration and operation are going to be an indispensable aspect of city cloud as they will serve as the basis for other services to build on. At the same time, the Group continues to do a good job in the Cloud line service, establishing extensive cooperation with the domestic Cloud service providers, and providing targeted professional services for the growing number of Cloud services.

Government Cloud: During the reporting period, The Group has further cooperation with Lishui as strategic partner. Based on Lishui project, "online government hall" system successful launched and will effectively promote the rapid usage and implementation of the Lishui online government hall. The Radar Cloud PaaS platform on the "online government hall" combined with Lishui's technology center management system, enhance the company's Cloud integration ability. The design of Lishui city tax situation of geographical information system, reflects the Group on a Cloud large data landing and the second half of the program into the implementation phase. At the same time, the Group further expands the Hangzhou government Cloud related business.

Medical Cloud: During the report period, the Group devoted its time to the electronic drug code monitoring business development with CITIC twenty-first Century. After helping its platform to transfer HBase to Ali-Cloud OTS and transfer application server migration to the Cloud host ECS, the Group also completed the "Oracle" technology task by further optimizing the Ali Cloud DRDS (Universal Storage Ali Cloud distributed RDS platform, based on RDS architecture of massive data and high efficient access solutions). Meanwhile, an improvement based on the electronic drug code monitoring data analytical tool and migration has been completed, and the ODPS information platform build by Ali-Cloud is starting to work effectively. With this "Integrated Health" platform, engineers can start mining, analyzing, and interpreting the data. All this combined with the Group's years of experience in the drug monitoring industry, the Group is poised to expand into other medical cloud related business.

Real estate Cloud: During the reporting period, the Group has reached an in-depth cooperation with Hangzhou Greentown using Ali-Cloud as base, and RAE (RadarCloud APP Engine) as the application environment. The Group built a real estate Cloud platform, with the combination with Radar Cloud and Ali-Cloud service. The products of Hangzhou Greentown group real estate platform, utilizing cloud, big data, and mobile Internet technology, includes: home services, living services, medical services, education services and other one stop community based services that is focused on family. This community service based model is intended to create the nation's first Internet transaction platform focused on community public services and products. The product will include many versions, including Android, Android, iPhone, iPad, WindowsPhone, WeChat, Web, and other systems. This will allow Internet social interactions, case management process, and delivery mode. The Group's real estate cloud will be focused on services, and help real estate developers explore beyond the traditional one product thinking, but instead, combine sales with integrated services to create an Internet real estate service provider, opening up the cloud services opportunities in the real estate market.

Catapult Business Transformation Progress

Seizing the opportunity while Microsoft is undergoing transformation, Catapult is actively developing "Solutions as a Service" related services, aimed to provide intellectual property based business questions and consultation services that helps businesses realize profits from cloud services. These services will be pushed out in the fourth quarter (or midyear for Microsoft). Catapult will use this brand new method to work with Microsoft and its customers, allow customers to enter the market faster, with a lower cost and risks. Meanwhile, in order to upkeep the transformation, Catapult will form a partnership with Amazon Web Services to increase cloud related consultation services.

ETC Business Progress

During the reporting period, the Group signed on with 1 additional college (a total of 70 in aggregate) and it is an institute/professional college that were jointly built (a total of 52 in aggregate). Our ETC also received an award for being the best vocational training institution for the Chinese outsourcing services industry. In the Internet and mobile Internet industry, the Group began collaboration with 10 additional universities (a total of 44 in aggregate) including China Petrochemical University. Regarding this area, the Group jointly organized training for "young backbone tutors" nationwide with the Office of National Demonstration School of Software of Ministry of Education and China International Talent Exchange Foundation of State Administration of Foreign Experts Affairs.

II. BUSINESS OVERVIEW

CORPORATE STRATEGY

Shifting Landscape of IT Services

Technology advancement is currently enabling a generation of new technology-based enterprises to disrupt and even dominate traditional industries (Amazon, Alibaba, Tencent and etc). The wide spread proliferation of next generation technologies in Social, Mobile, Analytics and Cloud (SMAC) have become so prevalent so quickly that new business models have sprung up in almost every industry vertical and are experiencing rapid growth. For a leading IT service provider such as ChinaSoft International, the challenge is clearly in how quickly we can transform ourselves to align with the changing market place. To repeat an overused term, the Group must "transform" to keep up with the changing needs of its customers, all the while making adjustments to its own business model to remain relevant to the market place, and maximizing shareholder profits.

From a strategic point of view, management believes that IT service industry is currently in a very dynamic environment with difficult challenges as well as outstanding opportunities. On the one hand, new cloud based technology enables software services to be delivered quickly and cheaply over the Internet (via the Software as a Service, or SaaS model), drastically reducing the overall cost of software development. This is currently posing significant threat to the traditional consulting model of software development. On the other hand, the advent of Mobile and Social, combined with Cloud creates a new set of demands for new software that is needed to first manage the vast data traffic, and then analyze them through Big-Data analytical tools. Facing this exciting but also turbulent time, the management summarized the Group's strategy in the following few bullet points:

Embrace the Cloud Platform

There is now no question that the fundamental foundation for computing and IT services going forward will be cloud technology. The Group began to work with cloud technology when it signed a strategic cooperation agreement with Ali-Cloud back in 2012 to bring R1 middleware onto Ali-Cloud's PaaS layer (Platform-as-a-Service). Thereafter, Chinasoft has continued to focus on cloud business and cooperated with Ali-Cloud as a spearhead. On the international front, through the newly acquired Catapult Systems, the Group provides high-end cloud services in Microsoft's Azure public cloud technology stack. And in early 2014, the Group made a minority investment in a US company that specializes in Commerce as a Service (CaaS), operating exclusively in the cloud. Going forward, the management sees tremendous opportunities in every industry vertical, including the government sector (smart government cloud, e-audit) in China where the Group has extensive experience.

Advanced Analytics. Man + Machine

The amount of new digital data generated is unprecedented, and it clearly tells us that the big data era is coming. All enterprises, including those in the government sector, are recognizing the importance of big data as an asset. Meanwhile, advanced data analysis capability is becoming a core competitive differentiator. The four V's (volume, variety, velocity, and veracity) of today's big-data characteristic make yesterday's analytical tools obsolete. To transform to this new world, the Group must develop new capabilities and tools. The Group has accumulated years of experiences working with big data projects and has many advantages in this front:

- Worked with many customers and data resources in industries including government, finance telecommunication, manufactory, and public services;

- Has experience in PB (PetaByte) level data storage and processing capabilities: China Meteorological Administration, PB level structure and unstructured data;

- Worked on large concurrent high-performance computing capability (China UnionPay, 12 million transactions at day peak).

Despite an open market, most domestic IT service providers in China lack capabilities to deliver advanced analytics (such as vertical specific data models) at the current time. There is still a wide gap between foreign leading analytic providers and local service providers. The Group sees a great opportunity to fill this gap by collaborating with some of the world's best data analysis and decision science service providers in 2014. The Group will build collaboration laboratories to focus on driving innovative and emerging technologies in the Chinese domestic market for advanced analytics via partnerships. Through collaborations and the winning of key customers, the Group will develop data analysis capabilities, including building up methodology of advanced data analysis, creating products and tools and supplying with services, and cultivating data scientists with advanced data analysis capabilities. By combining the Group's local market and customer knowhow with global leading technical solutions of advanced analytics, brought on by the partnership, the Group expects to create a set of trusted and valuable data analysis solutions and services for many verticals, all designed and created for the Chinese market.

JointForce Internet Crowd source Platform – Change the Business Model, Transform the IT Industry

It's no doubt that Internet is now universal, and is reshaping almost every traditional industry, including the IT industry. Internet has completely changed our understanding of IT services, and it has allowed us to recognize what IT service really is. As we all know, like other companies in this industry, the Group has faced rising costs and falling profit margins. In addition, the phenomenon of labor force turnover is ongoing. Pursuing higher salary and better sense of recognition, the software engineers don't hesitate to switch jobs. Meanwhile, the Group's customers are demanding higher level of services.

They expect high quality services at lower costs. This is exactly the pain points for all players in the IT services space currently. However, thanks to SMAC, the Group believes that we can transform our own business model as well as the work model for the entire IT services industry. Starting with the fact that the Group has accumulated over 10 years of IT industry operation and human resources management experiences, the Group's management began to explore alternative models. After much exploration, the management believes it has found the solution: a cloud based crowd-sourcing platform we call JointForce (or JF). JointForce is a cloud based crowd-sourcing platform to integrate social resources. JF organizes IT employees, IT enterprises and customers to create an IT service community and ecosystem. On the JF platform, all the delivery is fulfilled via the Cloud. The objective of JF is to be an efficiency platform for IT service enterprises, new work platform for employees in IT service industry and new service providing platform for customers. Through JointForce, the Group expects to achieve non-linear revenue growth and substantially improve staff efficiency, leading to increase in profit. During the reporting period, the Group launched a closed beta version of JointForce platform. There are over 7000 people online, and over 500 projects posted, validating the JointForce's digital management from dividing tasks, to grabbing tasks, to completing tasks. While JointForce ensured quality of the project, it also increased work efficiency and through the system's self-automated tracking system of each engineer, one can easily identify the quality of each engineer. Through the platform, we were able to successfully outsource different tasks to external engineers and using the PTS, ensure the quality and delivery of each project. As the close beta testing become more stable, the Group will release the open beta in the fourth quarter. Through operation and promotion of JF, management envisions a future that each customer is a VIP, each engineer is an expert in his/her segment, and that IT enterprises' revenue and service quality will rise to a much higher level. In addition, the Group will cooperate with IT service enterprises, IT staffs and customers to outline a flourishing IT industry transformation.

Strategic Partners – Riding on the shoulders of Giants

The Group is a strong believer of the "value add" strategic relationships with industry leading customers and investors. Our rapid growth in the last decade was based largely on this principle, and management intends to continue on this path going forward.

Ali-Cloud

In 2012, ChinaSoft International reached a strategic agreement with Ali-Cloud, to co-develop the PaaS platform as a part of the Ali-Cloud system. In 2013, under the organization of Ali-Cloud, Yunqi Cloud Alliance was formed. It was the first alliance in the Chinese cloud computing industry, and ChinaSoft became the chief promoter of the organization. This is because of the Group's past relationship with Ali-Cloud including Zhejiang e-Government Cloud pilot project, CITIC21CN Medicine Supervision Cloud Platform and the Greentown Smart City Living project. The Group is now working closely with Ali-Cloud in a much wider service range. In the future, the Group will make its best effort in cooperation with Ali-Cloud, including moving forward with government service cloud pilot project, further transforming the traditional industry and promoting it.

China Mobile

In 2010, the strategic cooperation agreements with Beijing and Shanghai Branches of China Mobile were reached, and MMIM Technologies was acquired by the Group to expand its mobile Internet Service. Three years has passed, the cooperation has attained a great breakthrough. The Group won the bidding for strategic projects including Fetion and Wireless City, and ChinaSoft has become the core supplier of Internet based technology for China Mobile. In the future, the Group will follow up with China Mobile's Internet strategy closely and grow together with customers in the process, helping them with their transformation.

Microsoft

In 2005, Microsoft became a preferred shareholder of ChinaSoft International. In 2011, Microsoft converted the preferred shares into common shares and strengthened its strategic cooperation with ChinaSoft. The Group became the first Global Premier Vender for Microsoft in China, and served as the most valuable supplier globally for Microsoft. In 2013, the Group acquired Catapult, the preferred supplier for Microsoft's integration service. Through this acquisition, the Group's Microsoft Cloud related capabilities increased tremendously. In the future, taking advantage of Catapult's Market and Management, ChinaSoft will leverage its experienced IT solution capabilities and its high quality customer services to expand to the developed AE market.

Huawei

In April of 2012, the joint venture of ChinaSoft International and Huawei was established, with the goal to create the best outsourcing business group. After two-years of operation, the quality management and delivery ability have grown significantly. The Group is regarded highly by Huawei. In 2013, the Group carried out Huawei's Cloud-based Payment System as its first strategic move to expand globally. In the future, the Group will move forward firmly with Huawei, shoulder by shoulder, and continue to enhance our professional service capability. Meanwhile, as a part of Huawei's global supply chain, ChinaSoft wishes to push its IT solutions globally.

Hony Capital

In 2011, Hony Capital became the Group's largest shareholder and formed a strategic alliance with the Group. In the past three years, with the recommendations and help from Hony Capital, the Group continued to seek opportunities to work with Legend Holdings and companies in Hony Capital's portfolio. Meanwhile, the Group has completed several projects with Suning (also in Hony Capital's portfolio) and some other customers. Naturally, the Group sees the effect and future of this alliance.

BUSINESS DEVELOPMENT HISTORY

The Group was incorporated in February 2000, and headquartered in Beijing. The Group's main business was to provide government customers with system integration and customized 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 subsequently 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 was listed on the Growth Enterprise Market (GEM) board of Hong Kong Stock Exchange. Supported by the capital platform, the Group adopted a new development model of organic growth together with growth via mergers and acquisitions, leading to rapid growth in both of performance and scale. The industries that the company served expanded from government to state owned 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 different verticals and industries.

In 2004, the Group entered the IT training field through the acquisition of Computer Training Centre of CS & S.

In 2005, the Group kept pace with the changing times by entering the IT outsourcing area through successfully merging and integrating with Chinasoft Resources Information Technology Services Limited. It then established strategic partnerships with top international enterprises such as Microsoft, and set up operation in the United States.

In 2006, the Group extended its ITO business to the Japanese market through the acquisition of the outsourcing team of Powerise International Software Company. With the thriving ITO business, the Group has taken a big step from China's domestic market toward a broader overseas market.

In 2007, the Group completed the acquisition and integration of Hinge Global Resources, and extended its service industries to financial, transportation and other important areas. In additional, the Group added specialised BPO services. Leveraging its comprehensively developed technique advantages and industry position, the Group became a top SOA partner of International Business Machines Corporation (IBM), and together built 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 1000-5000 m^2, and an annual training capacity of over 10,000 people.

In 2008, The Group successfully upgraded its listing from the GEM Board to the Main Board of the Hong Kong Stock Exchange (Ticket: HKSE.354). With fully developed technical advantages and a leading position in the industry, the Group became the first-ranked SOA partner of International Business Machines Corporation (IBM), and jointly built the ChinaSoft International SOA Innovation Centre.

In 2010, Han Consulting merged with the Group, which significantly strengthened the Group's front-end consulting capabilities. As of now the Group has 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 a world-class leading enterprise with a rapid growth in the information technology services area. In the same year, the Group formed a brand new Ten-Thousand-Staff Base located at Software New City in Xi'an High-Tech Zone. The Group will continue to build a platform for the enterprise and strive to be the best industrial integrator in the information technology and software services area in China in the future.

In 2012, the joint venture with Huawei was officially launched, and stepped into operation stage with a stable growth trend in performance. Since the market share of Huawei business is higher than other suppliers, synergies emerged in this JV early on. In the same year, the Group also entered the electricity industry and obtained a breakthrough achievement. Industry service capability has fully upgraded through the acquisition of State Grid electric power information service company.

In 2013, Catapult, a U.S. service provider specialized in consultancy services on Microsoft products and technologies, was acquired to enhance the Group's cloud integration and high-end servicing capabilities in new technology IT services such as Cloud computing, mobile and social media. This has laid a solid foundation for the development of global market through the strengthened strategic cooperation with Microsoft. The Group had closer cooperation with Ali-Cloud and became a chief promoter of Yunqi Cloud Alliance, the country's first alliance in cloud computing organized by Ali-cloud. The Group worked closely with Ali-Cloud in the promotion of the development of cloud-related industry, and together signed an agreement with Zhejiang Province government administration to build a demonstration pilot project of smart cloud, achieving the implementation of home-grown electronic administration cloud solution. As at the end of 2013, the number of staff employed by the Group was over 23,000, with business expanded into regions in Central America, South America, U.K., India, Africa, South-east Asia and the Middle East. Branches or offices have been set up globally in over 20 cities in mainland China, Hong Kong, U.S., Japan and Europe, all contributing to the Group's global delivery capability.

COMPETITIVE LANDSCAPE & COMPETITIVE STRENGTH

Core Strength

1. **Highly Competitive Industry Experience**

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

2. **End-to-End Service Model**

   The foundation for the Group's continued and steady business growth was laid with the end-to-end business model that has integrated consulting, technology services, outsourcing and training. The Group offers customers consulting services in combination with its industry experience, desires for breakthroughs driven by consulting, helps customers effectively solve their problems through technology services, and provides outsourcing services according to customers' needs. Cross-sales of different services to the same customer improves customer loyalty.

3. **Global Delivery Capability**

   The Group has global delivery capability, with a quick response mechanism in place for business deliveries in different parts of the world such as China, the United States and Japan. By fully leveraging on the industry knowledge and experiences gained from serving its global customers, the Group achieved its business expansion 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 increased 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.

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, and 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 extension when they are faced with complex management objects. 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 is the R1's project management methods and tools; and the third tier is the capability of 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.

Significant progress has been achieved for R1 in respect to cloud computing. Through the cooperation with AliCoud to jointly develop PaaS platform, both parties worked together to embed R1 products (including FramePortal, SOA Suite and BizFoundation) in Ali OS, and provided Java-based development services and cloud-based SOA services.

As one of the industry's most 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 general integration using the R1 platform can ensure success and good results of the construction of an entire engineering project.

5. Excellent, Stable Workforce and Strong Platform for Talent Supply

As of 30 June 2014, the Group had 23,989 employees, mainly distributed in regions such as Mainland 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 more than 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 Company's business department. The business department may participate in course design, process tracking and evaluation, and then select high-quality students from the large-scale training resource pool to ensure a steady stream of practical talent supply.

6. **A Win-Win Strategic Cooperation**

The Group established a comprehensive cooperation in 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 information technology service provider 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; the Group and Huawei established a joint venture in 2012, aimed at building a business process and IT outsourcing service company that gets a foothold in the PRC and serves the globe.

BUSINESS APPROACH

The Group is positioned to provide integrated software and information services, i.e., end-to-end IT services, including consulting services, technical services, outsourcing services and training services. Our technical services are mainly involved in IT solutions and outsourcing services, including ITO, BPO, EPO, and more. The Group's customers, which are located in various countries including China, the United States, Japan, Hong Kong, etc., are mainly distributed in the industries that possess high growth potentials, such as government and manufacturing, finance, telecommunications, hi-technology and etc. The Group has always adhered to the policy of technology innovation with its independent intellectual property rights as the core, and owns more than 200 software copyrights and patents, such as ResourceOne (R1), the middleware platform software that provides application support for industry solutions, and TopLink, the software platform product that supports big-data exchange.

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

- (PSG) Professional Services Business
  - Software Platform Products
  - Strategy and Business Consulting, IT Consulting
  - Vertical and Cross-Industry Application Software and Solution Development
  - System Integration and Services

- (OSG) Outsourcing Services Business
  - Product Engineering
  - Application Development and Maintenance
  - Enterprise Application Service
  - Business, Engineering and Knowledge Process Outsourcing

- (ESG) Emerging Service Business
  - Mobile Internet Product and Services
  - Cloud Migration and Operation Services
  - Cloud Consulting and SaaS Services
  - PaaS Products and Services

- (ETC) Training Business

DESCRIPTION OF THE GROUP'S SERVICES

- ***(PSG) Professional Services Business***

  Professional services business (consulting and solutions) is the backbone of the Group's business lines and has gradually become our main technical base and development kernel after more than 10 years of development and accumulation, driving the Group's into a positive cycle of continuous improvement. The business covers five main segments: software platform products, strategy and business consulting and IT consulting, vertical and cross-industry application software and solution development and system integration and services.

  The Group has over the years consistently used the consulting-driven business model, and based on its independently developed software platform products, has provided end-to-end professional services that combine consulting methodology with the information technology practices of China's enterprises. It adheres to the philosophy to focus on the industry, and prioritize services and strive for customers' success. In addition, the Group has trained a large number of experts in the industry, and established harmonious reciprocal win-win business environment with its customers, with a high level of market appeal and customer loyalty, which has effectively established the leading position of the Group in the solutions field in China.

  1. **Software Platform Products**

     The Group currently has two series of proprietary software platform products, the ResourceOne and TopLink/TSA+. The Group integrated the concept of "Products are services and services are products" into the whole structure of these products, which also allows the Group to find a balance between stability and changing market demand. The Group has kept investing and improving its software platform products for over a decade to enhance the technical applicability and performance of the products, thereby continuously enhancing the levels and standards of customer services.

2. **Strategy and Business Consulting, IT Consulting**

Consulting services sit at the upper end of the business value chain of the Group. By providing strategy and business consulting services, the Group can more clearly understand the intrinsic nature of customers' business and understand their real needs. The Group then can more effectively improve the professional level of services and achieve the growing business objectives of the customers. The Group's IT consulting business focused on increasing value for customers in the interactive activities between business-oriented and IT needs. 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 analyzes and evaluates the existing environment to determine the optimizing opportunity, and provides customers with the strategic development path that can significantly save costs and increase productivity.

3. **Vertical and Cross-industry Application Software and Solution Development**

The Group provides customers in a variety of industries with End-To-End process services that include vertical and cross-industry application software and solutions. 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, armed with in-depth knowledge of the best practices of information technology, to understand the customer's business needs and form a business components map that can be assembled using the R1 platform and an integrated business framework.

- In the scalable development and testing phase, the Group's on-site team members will work closely with the customer, keeping up with the customer's changing needs. The Group assigns a large amount of development and testing work to the Center of Excellence (COE) to be conducted in different professional expertise areas including Java,.net applications, cloud computing, and mobile solutions. By using the development tool of the R1 platform, our COE ensures an unified technological architecture and quality, thus effectively increasing repeat usage as well as reducing development time and costs.

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

- In the operation and maintenance phase, the Group's platforms, application software and solutions have been adopted by a number of strategic industries nationwide; the Group has simultaneously completed the layout with specialized operation and maintenance teams in all key areas of China. With years of experience and the successful practice of a large number of projects, the Group has gained 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.

4. **System Integration and Services**

The Group has extensive experience in services with "A" qualification for system integration, and the major services provided include system integration, system maintenance and system operation. Together with other services, the Group covers the entire life cycle of information systems, ensuring smooth construction and operation of medium to large information systems.

- ***(OSG) Outsourcing Services Business***

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. Meanwhile, with the help of its Excellence Training Centers (ETC), the Group can integrate the needs for skilled consultants across customers of various industries, and provide customers with high-quality, low cost outsourcing services. The Group's outsourcing services typically utilize the charging 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, and save development costs, thus gaining the time advantage in marketing their products.

The development of products by the Group includes 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 spending in IT outsourcing, 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 servers, 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 customers' sites.

3. **Enterprise Application Services**

The Group provides consulting-driven enterprise application services. While keeping standard functions of system application unchanged, the Group takes into consideration the differences in customized needs of enterprises, managerial needs and proposes an application solution meeting their needs. This enhances management quality of enterprises, and allow customers to realize 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), and 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 to customers within different fields including finance, manufacturing, medical and healthcare, transportation and logistics, targeting at markets in Japan, Europe, America and the Greater China regions.

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

- ***(ESG) Emerging Services Business***

The Emerging Service Business will build on the Group's inherent resource advantages, and focus on 2B (to Business) and 2B2C (to Business and to Consumer) new business operation in the long tail markets. The Group will use customer experiences and elastic services as foundation, and build a three layered pyramid business structures based on innovation, application, and business operation. Combined with partners that share the Group's ideology, we will create a brand new ecosystem that will transform the traditional industries through social, mobile, analytics, and cloud-based products. From the smart mobile terminal, the Group can create a new and better lifestyle with instant messaging, social media, wireless cities, and etc. From the cloud terminal, the Group can build a system of service clouds, from government, industry, to enterprise cloud, and establish a beautiful cloud ecosystem.

1. **Mobile Internet product and service**

The Group is the one of earlier mobile application product designers and is also one of largest professional mobile end developer and adaptation of service providers. The Group provides Instant message, fusion of communication, mobile social, mobile payment, enterprise mobile application, application shopping mall, and internal product design, as well as development and operating marketing service.

2. **Cloud migration and operation service**

Since the corporation with Ali-Cloud, ChinaSoft has been carrying out related technical services including light Cloud migration, independent host migration, system configuration, software configuration, data backup, data transfer and system configuration, Clients cover individual user, professional user, as well as enterprise user. It also provides maintenance service for users. In the near future it will cooperate with Ali-Cloud launched new technology and provide more professional services and explore new cooperation and territories.

3. **Cloud consulting and SaaS service**

   The era of cloud computing has arrived for those that want to simplify IT, push innovation, increase returns on IT investments, and increase efficiency in operations. The Group entered into a strategic agreement with Ali-Cloud, the leading Chinese cloud computing company, to provide cloud consulting and customized services. Innovation is treated as a standard today, including rich social experience, mobile payment, friendly user interface, structured and unstructured instant search data and regularly and upgrade without interference, The Group's SaaS solution project combine user needs by innovation technology. These innovation functions are able to disrupt the client's core business and enhance its core system performance. Furthermore, the Group already signed strategic cooperation with Alibaba Group to participate in its "Digital Internet City" project. The Group will work on the PaaS level.

4. **PaaS (Software interface in the Cloud products) and services**

   Radar Cloud PaaS platform is the Group's proprietary PaaS product that enables cloud development, integration, management, and serves as a portal to link with other cloud partners. Radar Cloud PaaS platform is the result of the Group's business innovation and dedication to products. It is also the result of the Group's strategy to go smart in verticals including government, medicinal, transportation, real estate, education, and etc, The Group focuses on new technology, new models, and will use the Radar Cloud PaaS platform as the base for cloud computation to improve the Group's cloud capabilities, further pushing smart transformation.

- ***(ETC) Training Business***

  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-end to high-end IT training. Through cooperation with colleges and universities, practical training based on real positions and projects are provided for college students majoring in computer sciences or other related areas. So far, the Group has established training centers in Beijing, Tianjin, Dalian, Changsha, Wuxi, Chongqing, Xiamen, Nanjing, and Shenyang.

In 2013, in order to conduct a deep discussion on talent nurturing amid the latest trend and to establish an efficient communication and cooperation platform between the government, colleges and universities and enterprises, ETC successfully organized "2013 Summit Forum on University-Enterprise Cooperation Service Outsourcing and Software Talents Cultivation of China". In addition, the Group jointly made an application for the construction of state-level project practice education centers with 18 universities, including Beijing Jiaotong University, Beijing University of Technology and Tianjin University of Technology, and obtained approval to construct the most centers among other enterprises. Through years of efforts, ETC has become a "Top 10 Education Institutions in Practice of Service Outsourcing in China".

INDUSTRY VERTICALS

The Group has strong presence in the following industry verticals:

1. ***Government and Enterprises***

Over the years, as a pioneer for e-government, the Group has leveraged its extensive industry experience and its understanding of the intrinsic nature of customers' needs and based on ResourceOne, has undertaken a number of key national technological projects. As a chief integrator, the Group has achieved outstanding results in a number of national Golden Projects, such as 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, by which ResourceOne was recognized by CCID as the top brand among e-government application support platform products in China, 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 a few consecutive years. Through cooperation with Ali-Cloud, the Group achieved a breakthrough in the field of government cloud, and became one of the leading providers of government cloud services in China.

2. ***Manufacturing and Circulation***

Leveraging on the Group's in-depth understanding of manufacturing and circulation industry, combined with its professional IT experience and service capabilities deployed around the country, the Group has made intensive efforts over years in the manufacturing and circulation industry with a number of proprietary softwares such as MES and Logistics Execution Systems (LES). The Group provide customers with "End-to-End" services covering from automation system at the bottom to decision support system at the top, from factories application to group management and from management consulting and IT planning to systems development and IT operation and maintenance, while occupying a leading position. The Group's business covers tobacco, military industry machinery, automobile, steel, pharmaceutical, printing, etc. In particular, as a strategic partner in tobacco industry information services, the Group has such core strengths as trend holding, leading IT and comprehensive all-rounded capabilities, and is engaged in the establishment of industry application standards, achieving 100% coverage of Chinese cigarette top 100 brands. MES, with its market leading scale and its big data projects of the industry, has further enhanced and accumulated its capabilities in Big data, and expanded its applications to other industries.

3. *Financial Services and Banking*

Thanks to professional services and TopLink, the payment platform product with proprietary intellectual properties, the Group provides personalized financial services, with secured payment as its core, to its customers in financial and banking sector. The Group has a long history in providing industry solutions, system integration services and related high-end services for its key customers including four major state- owned banks, postal savings banks, a number of joint-stock commercial banks and city commercial banks, as well as foreign-invested financial institutions in China, accumulating extensive experience in industry application and achieving "Three Firsts" in China – the first inter-bank bankcard payment network system, the first financial IC card payment and clearing system and the first e-commerce online payment and settlement system. In particular, the "electronic funds transfer and retail banking application system" was recognized as one of the outstanding projects of the fifteenth National Torch Program. 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 was ranked the first in bank card system markets in 2010. High level of customer recognition has been achieved regarding its capabilities in business advisory and solutions segments of Internet Finance.

4. *Insurance and Securities*

With strong technical strength and extensive experience in the financial industry, the Group has already secured many prestigious customers in the insurance and securities industry, and is highly recognized by the customers for its service practices. In addition, it has established leading technical position in high-end insurance sectors, including core business operations, channels management and marketing support, back-desk management, business intelligent (BI) and insurance/securities content and knowledge management. The Group has also penetrated into the core business and high-end business to become a key market player in the insurance and securities industry, helping customers to secure more competitive advantages.

5. ***Telecommunications***

The Group is one of the early service providers in wireless Internet platform design, development and operation, and 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 and development, and operation and 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. Through development of products for Fetion of China Mobile, its foundation has been laid, and it will promote integrated communication strategy for China Mobile.

6. ***Public Services***

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, and has established three "First System in China" – the nation's first smart card payment and settlement system in urban transport, the nation's first one-ticket-transfer payment system in urban rail transit, and the nation's first Automatic Fare Collection system (AFC) with independent intellectual property rights. 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 and stood up well to the test of huge customer traffic. There is a definite advantage with mobile operations' payment business. Through cooperation with strategic partners, the mobile payment business has been successfully established in the overseas market.

7. ***Electricity Distribution and 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 has established cooperation with five major enterprises in segmented industries, including 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. Its clients confirms its capability in electricity sales, operational inspection in terms of material, and its market position is stabilized.

8. *High-technology Business*

The Group's high-technology business clients include those located in Europe, America, Japan, Korea and Greater China, to whom the Group provides comprehensive and tailor-made services. Standardized delivery of services was achieved through delivery centers set up around the world. According to IDC's market research reports, the Group was ranked the top 4 in China's overall offshore outsourcing market, ranked the top 2 in the European and American market. For the 5th consecutive year, the Group was named as "Global Outsourcing 100" by IAOP (International Association of Outsourcing Professionals). The Group's major customers include Huawei, Microsoft, NEC, etc. The Group is Microsoft's first Global Premier Vender in the PRC, Microsoft's most valuable global vendor, and a preferred supplier of Microsoft's MCS (Microsoft Consulting Services) in the PRC. It has also obtained the certification COPC (Customer Operations Performance Center). Meanwhile, the Group has acquired Catapult, an outstanding consulting service provider specialized in Microsoft business, and also one of the Microsoft's partners pioneered in U.S. Microsoft cloud, resulting in closer strategic cooperation between the Group and Microsoft, as well as enhancement of the Group's capabilities in cloud computing and serving Microsoft's customers globally.

KEY OPERATING DATA

General Overview

The key operating data (unaudited) for six months ended 30 June 2014 are:

	Six Months Ended 30 June		
	2014 RMB '000	2013 RMB '000	Growth Rate
Revenue	**1,937,639**	1,371,671	41.3%
Service revenue *	***1,909,225***	*1,346,810*	*41.8%*
Cost of sales	**(1,356,441)**	(964,431)	40.6%
Gross profit	**581,198**	407,240	42.7%
Other income, gains and losses	**20,920**	38,213	(45.3%)
Selling and distribution expenses	**(102,160)**	(79,307)	28.8%
Administrative expenses	**(299,977)**	(235,064)	27.6%
Allowance for doubtful debts	**(298)**	261	N/A
Amortization of intangible assets and prepaid lease payments	**(40,350)**	(25,255)	59.8%
Finance costs	**(35,528)**	(20,413)	74.0%
Share of results of associates	**363**	493	(26.4%)
Profit before taxation	**124,168**	86,168	44.1%
Taxation	**(9,080)**	(5,470)	66.0%
Profit for the period	**115,088**	80,698	42.6%
+Taxation	**9,080**	5,470	66.0%
+Finance Costs	**35,528**	20,413	74.0%
+Depreciation of property, plant and equipments	**30,224**	25,275	19.6%
+Amortization of intangible assets and prepaid lease payments	**40,350**	25,255	59.8%
–Share of results of associates	**363**	493	(26.4%)
EBITDA*	**229,907**	156,618	46.8%
+Share option expenses	**8,153**	2,704	201.5%
+Foreign exchange loss (gain)	**–**	(10)	N/A
+(Reversal of) Allowance for doubtful debts	**298**	(261)	N/A
Business contribution profit**	**238,358**	159,051	49.9%

The revenue and service revenue of the Group's different business lines for six months ended 30 June 2014 are:

	Revenue			Service Revenue			Results		
	Six Months Ended 30 June			Six Months Ended 30 June			Six Months Ended 30 June		
	2014 RMB '000	2013 RMB '000	Growth Rate	2014 RMB '000	2013 RMB '000	Growth Rate	2014 RMB '000	2013 RMB '000	Growth Rate
Professional Services Business (PSG)	779,705	629,490	23.9%	751,291	604,629	24.3%	83,778	64,982	28.9%
Outsourcing Services Business (OSG)	960,495	660,601	45.4%	960,495	660,601	45.4%	71,574	50,782	40.9%
Emerging Services Business (ESG)	149,991	34,462	335.2%	149,991	34,462	335.2%	16,891	2,712	522.9%
Training Business	47,448	47,118	0.7%	47,448	47,118	0.7%	1,706	1,694	0.7%
Total	**1,937,639**	**1,371,671**	**41.3%**	**1,909,225**	**1,346,810**	**41.8%**	**173,949**	**120,170**	**44.8%**

In terms of service revenue, the PSG, OSG, and ESG achieved a YOY growth of 24.3%, 45.4%, and 335.2% respectively. The ETC's service revenue maintained the same level from last year.

For PSG, finance, banking, and insurance businesses' revenue increased, contributing to the overall professional services results. For OSG, Huawei and the greater China businesses' revenue increased rapidly, providing growth to the overall outsourcing services results. For ESG, the cloud, mobile Internet product and services businesses grew rapidly, allowing the ESG achieve significant growth from last year.

During the reporting period, the overall results achieved a YOY growth of 44.8%, higher than the YOY revenue and service revenue growth of 41.3% and 41.8% respectively.

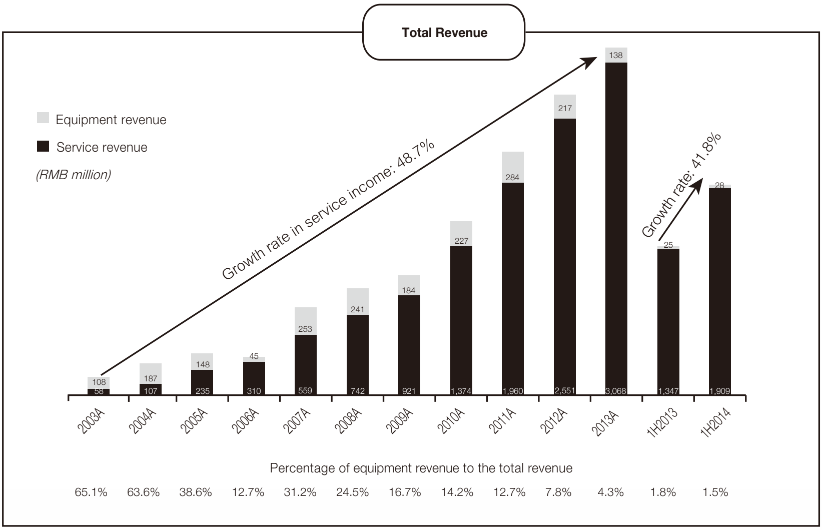
Of which, the PSG results achieved a YOY growth of 28.9%, higher than the YOY service revenue growth of 23.9%. This is primarily because part of the PSG used the JointForce platform to increase personnel utilization, contributing to the increased margins of the PSG.

The OSG results achieved a YOY growth of 40.9%, lower than the OSG service revenue's YOY growth of 45.4%. The primary reason is because during the reporting period the government subsidies and other income were lower than that of last year.

The ESG's results achieved a YOY growth of 522.9%, significantly higher than the ESG service revenue's YOY growth of 335.2%. The primary reason is because last year was the developmental year for ESG, and a lot of capital went into market research, resulting in lower margins. During the reporting period, ESG's margins returned to normal.

The Group strongly believes that with the launch and promotion of the JointForce platform, the Group's gross margin and operating margins will continue to improve and increase the overall revenue and results.

Since listing on the Growth Enterprise Market in 2003, the revenue and service revenue have maintained rapid growths. The Group recorded a CAGR of 34.5 % for revenue, and a CAGR of 48.7% for service revenue from 2003 to 2013. The Group recorded a YOY service revenue growth of 41.8% for six months ended 30 June 2014. The details are as follow:



Customers

For the six month ended 30 June 2014, the service revenue from the top five customers accounted for 44.2% of the Group's total service revenue, and the service revenue from the top ten customers accounted for 49.3% of the Group's total service revenue.

For the six months ended 30 June 2014, the Group had 1411 active customers, of which 473 of them are new customers. In the last four quarters, there are 68 customers that generated more than RMB6 million for the Group.

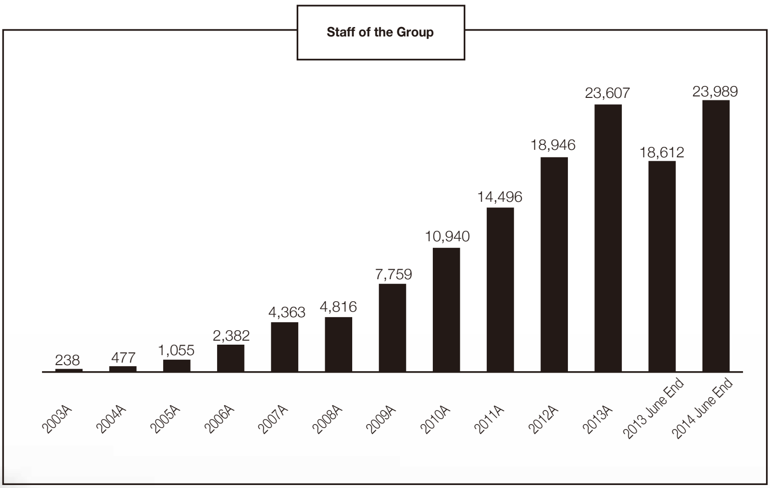
Market

The Group's businesses are mainly focused in the Greater China market. For the six months ended 30 June 2014, the Group continued to view the Greater China market as a key market for development. China's strong economic growth and the immense market potentials will lead to long term growth opportunities for the Group. Meanwhile, several of the Group's multinational corporation also stated that China will be an important aspect of their global footprints. This shows that they have confidence in the Chinese economy, and will provide expansion opportunities for the Group. In addition, the Group will continue to expand oversea through Catapult Systems.

Human Resources:

As of 30 June 2014, the Group has a total of 23,989 employees, representing an increase of 28.9% from same reporting period last year (18,612 employees). The 28.9% increase of employees is far less than the 41.8% increase of service revenue, meaning the Group was able to achieve a higher efficiency because of the JointForce platform during the reporting period.

The Group's growth in employee size since listing on the Growth Enterprise Market in 2003 is as follows:



Profitability:

For the six months ended 30 June 2014, the Group's EBITDA was RMB229.907 million, representing a YOY growth of 46.8% (for the six months ended 30 June 2013: RMB156.618 million). The EBITDA margin increased 0.5% to 11.9%, (for the six months ended 30 June 2013: 11.4%). The EBITDA to service revenue margin increased 0.4% to 12.0% (for the six months ended 30 June 2013: 11.6%). The details on profit and EBITDA during the reporting period is as follows:

	Six Months Ended 30 June		
RMB '000	**2014**	**2013**	**Growth Rate**
Profit for the period	**115,088**	**80,698**	**42.6%**
+Taxation	9,080	5,470	66.0%
+Finance costs	35,528	20,413	74.0%
+Depreciation of property, plant and equipment	30,224	25,275	19.6%
+Amortization of intangible assets and prepaid lease payments	40,350	25,255	59.8%
–Share of results of associates	363	493	(26.4%)
EBITDA	**229,907**	**156,618**	**46.8%**

In order to help the shareholders and investors to more easily identify the operating results of the Group when reading reports from different reporting periods, and comparing results to competitors, the Group removed any non business related, non cash related items (for eg., share option expenses, net foreign exchange, and provision for doubtful debts) to calculate the profit contribution from business. The Group's business contribution profit was RMB238.358 million, representing a 49.9% YOY growth (for the six months ended 30 June 2013: RMB159.051 million). The details of EBITDA to business contribution profit is as follows:

	Six Months Ended 30 June		
RMB '000	**2014**	**2013**	**Growth Rate**
EBITDA	**229,907**	**156,618**	**46.8%**
+Share option expenses	8,153	2,704	201.5%
+Net foreign exchange (gain) loss	–	(10)	N/A
+(Reversal of) Allowance for doubtful debts	298	(261)	N/A
Business contribution profit	**238,358**	**159,051**	**49.9%**

For the six months ended 30 June 2014, the business contribution profit margin increased by 0.7% to 12.3% (for the six months ended 30 June 2013: 11.6%) and the business contribution margin (to service revenue) increased by 0.7% to 12.5% (for the six months ended 30 June 2013: 11.8%).

Operating Results

The following chart is the Group's consolidated statement of comprehensive income for the six months ended 30 June 2013, 2014 (unaudited):

	Six Months Ended 30 June 2014 RMB '000	Percentage of Revenue	Percentage of Service revenue	Six Months Ended 30 June 2013 RMB '000	Percentage of Revenue	Percentage of Service Revenue
Revenue	1,937,639			1,371,671		
Service revenue	*1,909,225*			*1,346,810*		
Cost of sales	(1,356,441)	(70.0%)	-	(964,431)	(70.3%)	–
Gross Profit	581,198	30.0%	30.4%	407,240	29.7%	30.2%
Other income, gains and losses	20,920	1.1%	1.1%	38,213	2.8%	2.8%
Selling and distribution expenses	(102,160)	(5.3%)	(5.4%)	(79,307)	(5.8%)	(5.9%)
Administrative expenses	(299,977)	(15.5%)	(15.7%)	(235,064)	(17.1%)	(17.5%)
Allowance for doubtful debts	(298)	(0.02%)	(0.02%)	261	0.02%	0.02%
Amortization of intangible assets and prepaid lease payments	(40,350)	(2.1%)	(2.1%)	(25,255)	(1.8%)	(1.9%)
Finance costs	(35,528)	(1.8%)	(1.9%)	(20,413)	(1.5%)	(1.5%)
Share of results of associates	363	0.02%	0.02%	493	0.04%	0.04%
Profit before taxation	124,168	6.4%	6.5%	86,168	6.3%	6.4%
Taxation	(9,080)	(0.5%)	(0.5%)	(5,470)	(0.4%)	(0.4%)
Profit for the period	115,088	5.9%	6.0%	80,698	5.9%	6.0%

Revenue:

For six months ended 30 June 2014, the Group's revenue was RMB1,937.639 million, representing a 41.3% YOY growth (for the six months ended 30 June 2013: RMB1,371.671 million). The Group's service revenue was RMB1,909.225 million, representing a YOY growth of 41.8% (for the six months ended 30 June 2013: RMB1,346.810 million). The main source of growth comes from the rapid growth of outsourcing business and the emerging service business.

The increase of revenue in finance, banking, and insurance businesses contributed greatly to the growth of the overall PSG.

Revenues from Huawei businesses and Greater China market have achieved rapid growth and contributed greatly to the growth of the overall OSG.

The cloud computing, mobile Internet product and services businesses have seen significant growth, helping the entire ESG achieve higher growth.

The ETC's revenue is steady and essentially the same as last year, contributing only a small portion to the overall Group.

The comparison of the Group's service revenue by businesses for the six months ended 30 June 2014, 2013 is as follows:

RMB '000	**Six Months Ended 30 June 2014**	**%**	Six Months Ended 30 June 2013	%	Growth Rate
Professional Services Business (PSG)	**751,291**	**39.4%**	604,629	44.9%	24.3%
Outsourcing Services Business (OSG)	**960,495**	**50.3%**	660,601	49.0%	45.4%
Emerging Services Group (ESG)	**149,991**	**7.9%**	34,462	2.6%	335.2%
Training Business	**47,448**	**2.4%**	47,118	3.5%	0.7%
Total Service Revenue	**1,909,225**	**100%**	1,346,810	100%	41.8%

The comparison of the Group's service revenue by contract models for the six months ended 30 June 2014, 2013 is as follows:

RMB '000	**Six Months Ended 30 June 2014**	**%**	Six Months Ended 30 June 2013	%
Service revenue	**1,909,225**		1,346,810	
Fixed price	**877,439**	**46.0%**	663,618	49.3%
Time and material	**1,024,549**	**53.6%**	653,196	48.5%
Quantity – based	**7,237**	**0.4%**	29,996	2.2%
Total	**1,909,225**	**100%**	1,346,810	100%

Main Business Costs:

For the six months ended 30 June 2014, the Group's main business costs accounted for 70.0% of the revenue, representing a YOY decrease of 0.3% (for the six months ended 30 June 2013: 70.3%). The Group's main business costs were RMB1,356.441 million, representing a YOY growth of 40.6% (for the six months ended 30 June 2013: RMB964.431 million).

Gross Profit:

For the six months ended 30 June 2014, the Group's gross profit was RMB581.198 million, representing a YOY growth of 42.7% (for the six months ended 30 June 2013: RMB407.240 million). The Group's gross profit margin was 30.0%, representing a YOY growth of 0.3% (for the six months ended 30 June 2013: 29.7%). The Group's gross profit margin for service revenue was 30.4%, representing a YOY growth of 0.2% (for the six months ended 30 June 2013: 30.2%). The Group's gross profit margin increased slightly because of the JointForce platform that increased the employees' efficiency.

Other Income, Gains and Losses

For the six months ended 30 June 2014, the Group's other income was RMB20.920 million, representing a YOY loss of 45.3% (for the six months ended 30 June 2013: RMB38.213 million). The main reason for the loss is because of government grant received was lower than that of the last corresponding reporting period.

Operating Expenses

For the six months ended 30 June 2014, the Group's selling and distribution expenses was RMB102.160 million, representing a YOY growth of 28.8% (for the six months ended 30 June 2013: RMB79.307 million). The selling and distribution expenses amounted to 5.3% of revenue, representing a YOY decrease of 0.5% (for the six months ended 30 June 2013: 5.8%). The selling and distribution expenses amounted to 5.4% of service revenue, representing a YOY decrease of 0.5% (for the six months ended 30 June 2013: 5.9%). This shows the Group's increased its operating efficiency.

The Group's administrative expenses were RMB299.977 million, representing a YOY growth of 27.6% (for the six months ended 30 June 2013: RMB235.064 million). The administrative expenses amounted to 15.5% of the revenue, representing a YOY decrease of 1.6% (for the six months ended 30 June 2013: 17.1%). The administrative expenses amounted to 15.7% of the service revenue, representing a YOY decrease of 1.8% (for the six months ended 30 June 2013: 17.5%). This is mainly due to the Group's foundation of business operating support platform is coming to effect and the JointForce platform that allowed the Group to implement a flat management style.

EBITDA and Business Profit

For the six months ended 30 June 2014, the Group's EBITDA was RMB229.907 million, representing a YOY growth of 46.8% (for the six months ended 30 June 2013: RMB156.618 million). The EBITDA to revenue was 11.9%, representing a YOY growth of 0.5% (for the six months ended 30 June 2013: 11.4%). The EBITDA to service revenue was 12.0%, representing a YOY growth of 0.4% (for the six months ended 30 June 2013: 11.6%).

For the six months ended 30 June 2014, the Group's business profit was RMB238.358 million, representing a YOY growth of 49.9% (for the six months ended 30 June 2013: RMB159.051 million). The Group's business profit accounted for 12.3% of the revenue, representing a YOY growth of 0.7% (for the six months ended 30 June 2013: 11.6%). The Group's business profit accounted for 12.5% of the service revenue, representing a YOY growth of 0.7% (for the six months ended 30 June 2013: 11.8%).

The increase of EBITDA and business profit margins is due to the increase sales of mobile and cloud businesses, internal use of JointForce platform, and improvement in marketing and administrative efficiency.

Finance Costs and Income Tax

For the six months ended 30 June 2014, The Group's finance costs accounted for 1.8% of the revenue, representing a YOY growth of 0.3% (for the six months ended 30 June 2013: 1.5%). The Group's finance costs were RMB35.528 million, representing a YOY growth of 74.0% (for the six months ended 30 June 2013: RMB20.413 million); the increase of finance costs is attributable the interests payments from the syndicated bank loans.

For the six months ended 30 June 2014, the Group's income tax accounted for 0.5% of the revenue, representing a YOY growth of 0.1% (for the six months ended 30 June 2013: 0.4%). The Group's income tax was RMB9.080 million, representing a YOY growth of 66% (for the six months ended 30 June 2013: RMB5.470 million); the growth is due to a more favorable tax treatment from the government (software companies and joint ventures) in last corresponding reporting period and a decrease in tax refund in current reporting period.

Other Non-Cash Expenses

For the six months ended 30 June 2014,the Group's depreciation of property, plant and equipments to revenue was 1.6%, representing a YOY decrease of 0.2% (for the six months ended 30 June 2013: 1.8%). The Group's depreciation of property, plant and equipments expenses were RMB30.224 million, representing a YOY growth of 19.6% (for the six months ended 30 June 2013: RMB25.275 million); the increase of depreciation expenses is due to the increase of fixed assets to meet the Group's personnel expansion, but the decrease of depreciation to revenue margin shows that the Group's management efficiency is increasing.

For the six months ended 30 June 2014, the Group's amortization of intangible assets to revenue was 2.1%, representing a YOY growth of 0.3% (for the six months ended 30 June 2013: 1.8%). The Group's amortization of intangible assets was RMB40.350 million, representing a YOY growth of 59.8% (for the six months ended 30 June 2013: RMB25.255 million); the increase is due to the amortization of the newly acquired company and businesses at the end of 2013.

For the six months ended 30 June 2014, the Group's share option expenses to revenue was 0.4%, representing a YOY growth of 0.2%, (for the six months ended 30 June 2013: 0.2%). The Group's share option expenses was RMB8.153 million, representing a YOY growth of 201.5% (for the six months ended 30 June 2013: RMB2.704 million); the increase is due to the issuance of 110 million shares during the reporting period was amortized.

The Group's allowance for doubtful debts was RMB298,000, compared to last year's reversal of allowance for doubtful debts of corresponding period of RMB261,000. It only accounted for 0.02% of the Group's revenue.

Profit for the Period and Earnings Per Share

For the six months ended 30 June 2014, the Group's profit was RMB115.088 million, representing a YOY growth of 42.6% (for the six months ended 30 June 2013: RMB80.698 million). The profit to revenue and service revenue was 5.9% and 6.0% respectively, same as that of the last corresponding reporting period.

Excluding the profit attributable to minority shareholders for the six months ended 30 June 2014, the Group's profit attributable to shareholders was RMB101.265 million, representing a YOY growth of 40% (for the six months ended 30 June 2013: RMB72.309 million).

Based on the profit attributable to the shareholders, the Group's basic earnings per share for the six month ended 30 June 2014 was RMB5.45 cents, representing a YOY growth of 29.7% (for the six months ended 30 June 2013: RMB4.2 cents).

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, 2014 with corresponding figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Notes	For the six months ended 30 June, 2014 RMB'000	2013 RMB'000
Turnover	3	**1,937,639**	1,371,671
Cost of sales		**(1,356,441)**	(964,431)
Gross profit		**581,198**	407,240
Other income, gains and losses		**20,920**	38,213
Selling and distribution costs		**(102,160)**	(79,307)
Administrative expenses		**(299,977)**	(235,064)
Allowance for doubtful debts		**(298)**	261
Amortisation of intangible assets		**(40,350)**	(25,255)
Finance costs	4	**(35,528)**	(20,413)
Share of result of associates		**363**	493
Profit before taxation		**124,168**	86,168
Taxation	5	**(9,080)**	(5,470)
Profit for the period		**115,088**	80,698
Other comprehensive income			
Exchange differences arising on transaction of foreign operations		**4,184**	2,411
Total comprehensive income for the period		**119,272**	83,109
Profit for the period attributable to:			
Owners of the Company		**101,265**	72,309
Non-controlling interests		**13,823**	8,389
		115,088	80,698
Total comprehensive income attributable to:			
Owners of the Company		**105,458**	74,728
Non-controlling interests		**13,814**	8,381
		119,272	83,109
Earnings per share	7		
– Basic (cents)		**5.45**	4.20
– Diluted (cents)		**5.36**	4.15

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Notes	(Unaudited) 30 June, 2014 RMB'000	(Audited) 31 December, 2013 RMB'000
Non-current assets			
Property, plant and equipment		**205,063**	174,186
Intangible assets		**329,113**	280,649
Goodwill		**970,064**	936,988
Interests in associates		**30,174**	13,519
Available-for-sale investment		**54,376**	25,000
Prepaid lease payments		**41,410**	41,482
Deposits paid for investment in an associate		**–**	14,850
Derivative financial instruments		**649**	649
Deferred tax assets		**10,390**	10,389
		1,641,239	1,497,712
Current assets			
Inventories		**24,535**	19,883
Trade and other receivables	*8*	**1,429,869**	1,146,646
Prepaid lease payments		**1,010**	1,009
Amounts due from customers for contract work		**1,240,389**	1,060,869
Amount due from related companies		**–**	814
Pledged deposits		**333**	5,201
Bank balances and cash		**382,252**	940,823
		3,078,388	3,175,245
Current liabilities			
Trade and other payables	*9*	**702,709**	741,528
Bills payable		**2,483**	3,387
Amounts due to customers for contract work		**115,138**	217,410
Amounts due to related companies		**–**	9,196
Dividend payable to shareholders		**74**	73
Taxation payable		**32,410**	28,303
Borrowings		**381,775**	471,328
Consideration payable on acquisition of a business		**28,725**	–
		1,263,314	1,471,225
Net current assets		**1,815,074**	1,704,020
Total assets less current liabilities		**3,456,313**	3,201,732

	Notes	(Unaudited) 30 June, 2014 RMB'000	(Audited) 31 December, 2013 RMB'000
Non-current liabilities			
Deferred tax liabilities		**32,536**	17,589
Consideration payable on acquisition of a subsidiary		**35,636**	35,636
Convertible loan notes		**186,135**	189,038
Borrowings		**645,822**	518,268
		900,129	760,531
		2,556,184	2,441,201
Capital and reserves			
Share capital	*10*	**87,926**	87,085
Share premium		**1,687,276**	1,667,181
Reserves		**621,462**	513,957
Equity attributable to equity holders of the Company		**2,396,664**	2,268,223
Non-controlling interests		**159,520**	172,978
Total equity		**2,556,184**	2,441,201

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Attributable to the owners of the company

	Share capital RMB'000	Share premium RMB'000	Hedging reserve RMB'000	Share Translation reserve RMB'000	Convertible loan options reserve RMB'000	General notes fund RMB'000	Statutory enterprise reserve fund RMB'000	Statutory surplus expansion fund RMB'000	Accu- reserve fund RMB'000	mulated Total RMB'000	Non- interests RMB'000	controlling Total RMB'000	
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
At 1 January, 2014	87,085	1,667,181	649	(9,767)	38,813	30,391	15,793	26,749	49,662	361,667	2,268,223	172,978	2,441,201
Profit for the period	–	–	–	–	–	–	–	–	–	101,265	101,265	13,823	115,088
Exchange differences arising from translation of overseas operations	–	–	–	4,193	–	–	–	–	–	–	4,193	(9)	4,184
Total comprehensive income for the period	–	–	–	4,193	–	–	–	–	–	101,265	105,458	13,814	119,272
Acquisition of additional equity interest in subsidiary	–	(3,675)	–	–	–	–	–	–	–	–	(3,675)	(27,272)	(30,947)
New issue of shares upon exercise of share option	841	23,770	–	–	(6,106)	–	–	–	–	–	18,505	–	18,505
Recognition of equity-settled share based payments	–	–	–	–	8,153	–	–	–	–	–	8,153	–	8,153
At 30 June, 2014	87,926	1,687,276	6 49	(5,574)	40,860	30,391	15,793	26,749	49,662	462,932	2,396,664	159,520	2,556,184

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Six months ended 30 June,	
	2014	2013
	RMB'000	RMB'000
Net cash used in operating activities	**(426,864)**	(300,290)
Net cash used in investing activities	**(168,234)**	(117,701)
Net cash generated from financial activities	**32,335**	158,545
Net decrease in cash and cash equivalents	**(562,763)**	(259,446)
Effect of foreign exchange rate changes	**4,192**	(1,339)
Cash and cash equivalents at the beginning of the period	**940,823**	774,847
Cash and cash equivalents at the end of the period	**382,252**	514,062

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, 2013.

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	Annual Improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

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. Emerging Services Business (ESG)
4. 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	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Professional Services Business (PSG)	**779,705**	629,490	**83,778**	64,982
Outsourcing Services Business (OSG)	**960,495**	660,601	**71,574**	50,782
Emerging Services Business (ESG)	**149,991**	34,462	**16,891**	2,712
Training Business	**47,448**	47,118	**1,706**	1,694
	1,937,639	1,371,671	**173,949**	120,170

Segment revenue by products and services:

	For the six months ended 30 June,	
	2014	2013
	RMB'000	RMB'000
Sale of software and hardware products	**28,414**	24,861
Professional Services Business (PSG)	**751,291**	604,629
Outsourcing Services Business (OSG)	**960,495**	660,601
Emerging Services Business (ESG)	**149,991**	34,462
Training Business	**47,448**	47,118
	1,909,225	1,346,810
	1,937,639	1,371,671

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

	For the six months ended 30 June,	
	2014	2013
	RMB'000	RMB'000
Segment results	**173,949**	120,170
Other income, gains and losses	**258**	2,551
Loan interest	**(7,832)**	–
Corporate expenses	**(27,493)**	(27,124)
Share option expenses	**(8,153)**	(2,704)
Effective interest on convertible loan notes	**(6,561)**	(6,725)
Profit before taxation	**124,168**	86,168

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,	
	2014	2013
	RMB'000	RMB'000
Interest on borrowings wholly repayable within five years	**28,967**	13,688
Effective interest on convertible loan notes	**6,561**	6,725
	35,528	20,413

5. TAXATION

	For the six months ended 30 June,	
	2014	2013
	RMB'000	RMB'000
Tax charge comprises:		
PRC Enterprise Income Tax	**8,720**	5,325
Hong Kong Profits Tax	**–**	–
The US Federal and State Income taxes	**184**	145
Japan Income Tax	**176**	–
	9,080	5,470

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, 2013 and interim dividend for the period ended 30 June, 2014 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,	
	2014	2013
	RMB'000	RMB'000
Earnings for the purposes of calculating basic and diluted earnings per share	**101,265**	72,309

	Number of shares	
	2014	2013
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,859,301,250**	1,720,162,999
Effect of dilutive potential ordinary shares: Issuable under the Company's share option scheme	**28,780,395**	21,157,112
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,888,081,645**	1,741,320,111

The computation of diluted earnings per share for the period ended 30 June 2013 and 30 June 2014 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, 2014 RMB'000	(Audited) 31 December, 2013 RMB'000
Trade receivables	**635,819**	592,872
Less: Allowance for doubtful debts	**(118,897)**	(118,599)
	516,922	474,273
Trade receivables from related companies	**565,225**	339,820
	1,082,147	814,093
Advances to suppliers	**205,466**	157,334
Deposits, prepayments and other receivables	**142,256**	175,219
	1,429,869	1,146,646

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, 2014 RMB'000	(Audited) 31 December, 2013 RMB'000
Within 90 days	**721,225**	505,616
Between 91-180 days	**195,615**	164,053
Between 181-365 days	**90,412**	74,929
Between 1-2 years	**65,860**	69,196
Over 2 years	**9,035**	299
	1,082,147	814,093

The fair value of the Group's trade and other receivables at 30 June, 2014 was approximately equal to the corresponding carrying amount.

9. TRADE AND OTHER PAYABLES

	(Unaudited) 30 June, 2014 RMB'000	(Audited) 31 December, 2013 RMB'000
Trade payables	356,417	377,471
Trade payable to a related company	–	–
	356,417	377,471
Deposits received from customers	37,343	65,571
Other payables and accrued charges	308,949	298,486
	702,709	741,528

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, 2014 RMB'000	(Audited) 31 December, 2013 RMB'000
Within 90 days	207,890	182,056
Between 91-180 days	29,209	36,900
Between 181-365 days	18,696	106,461
Between 1-2 years	77,542	34,282
Over 2 years	23,080	17,772
	356,417	377,471

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, 2014 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, 2013, 30 June, 2013, 1 January, 2014 and 30 June, 2014	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, 2013	1,718,364,659	85,918,233	81,804
Exercise of options	2,310,000	115,500	93
Issued in consideration for the acquisition of a business	64,588,274	3,229,414	2,573
Issued in consideration for the acquisition of additional equity interest of a subsidiary	4,926,000	246,300	197
At 30 June, 2013	1,790,188,933	89,509,447	84,667
Exercise of options	60,986,350	3,049,318	2,418
At 31 December, 2013 and 1 January, 2014	1,851,175,283	92,558,765	87,085
Exercise of options	21,425,000	1,071,250	841
At 30 June, 2014	1,872,600,283	93,630,015	87,926

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 2013 and 2014, the Group had the following transactions with the following related parties:

		For the six month ended 30 June,	
		2014	2013
	Note	**RMB'000**	RMB'000
Provision of IT outsourcing services			
– Huawei Group	*(a)*	**596,070**	308,810

Note:

(a) 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 RMB1,332,000,000, including the directors' emoluments of approximately RMB2,061,000 during the six months ended 30 June, 2014 (2013: approximately RMB910,001,000, including the directors' emoluments of approximately RMB2,283,000). The increase in employee remuneration resulted from the increase in the number of employees from 18,612 to 23,989.

The amortisation charge of intangible assets and depreciation during the six months ended 30 June, 2014 of the Group amounted to approximately RMB40,350,000 (2013: RMB25,255,000) and approximately RMB30,224,000 (2013: RMB25,275,000), respectively.

Environment, Society and Governance Report ("ESG Report")

Chinasoft's vision is to "help customers to succeed, to create and share and grow together based on common drive for excellence". To achieve this vision, the Group works with its business partners and employees in a responsible, equitable and honest manner, and makes contributions and provides services to the community in which its business locates.

The company secretary and the relevant department of the Company have been authorized to assist in the preparation of this ESG Report, for which the board of directors (the "Board") of the Company is ultimately responsible.

Corporate and Community

Corporate social responsibility is not only to create social wealth through operations, but also to guide a scientific, rational and equitable distribution of social resources and wealth, which aims to both encourage the strong and help the weak, thus providing an opportunity for each group to share the results of community development.

With the e-government project, being a key national e-government project in the "Golden Projects", Chinasoft plays a significant role in improving administrative efficiency and enhancing service performance for the government and community. Chinasoft has been for many years deeply involved in the Golden Projects, including, among others, Golden Auditing, Golden Agriculture (Agricultural Management and Service Information System), Golden Insurance, Golden IC-Card and Golden Quality Projects. These e-government projects are often implemented in the communities at the end, which contributes to the information technology of the communities.

In addition, in respect of anti-corruption, Chinasoft provides information technology support by actively making use of its strength in the field of pan-supervision and through the Golden Auditing Project and related regulatory systems designed for CCDI and the SASAC.

As an IT training institution, Chinasoft contributes their efforts to the employment of university graduates in response to the government policy. Currently, Chinasoft operates practical training facilities with total operating area of more than 30,000 square meters, which can accommodate more than 6,000 students simultaneously. It has collaborated with more than 400 universities and educational institutions for both long-term qualified personnel training and practical training, with more than 30,000 students being trained each year. In addition, by participating in the "Excellent Engineers Training Program" introduced by the Ministry of Education, the Group has developed courses customized for individual companies, which helps the trainees to be recruited by specific companies. Furthermore, Chinasoft also established scholarships in partner colleges and educational institutions, to reward outstanding students and help needy students.

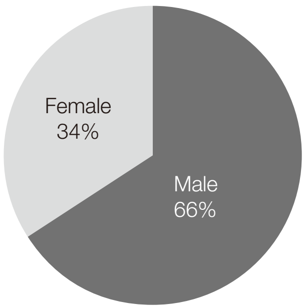
Employee Benefits and Training

Chinasoft currently has approximately 24,000 employees all over the China and around the world. It values the career development for each employee, and helps each employee to seek for excellence. The Company also offers competitive salaries in the industry by continuously conducting market research and analysis based on market principles, in order to attract and retain qualified talent.

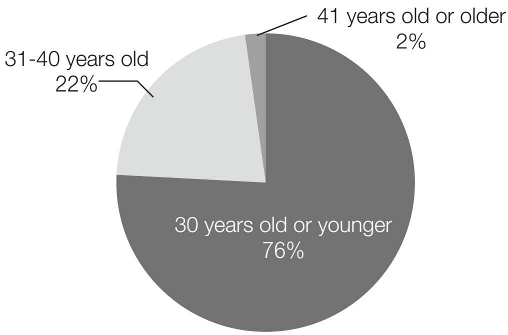
The Group has a salary incentive system closely linked to individual and organizational performance and a social security and staff welfare system in respect of the health and safety for all employees. The Group provides regular health examination arrangements for its employees, and contributes to the basic medical insurance fund for employees as required by Chinese Law, as well as purchases business medical insurance as a supplement thereto. The Group purchases additional health insurance items as appropriate, based on the principle of needs and possibility.

New employees will accept uniform induction training upon their enrolling. The Group will also provide related training and development programme for new employees as they need specifically when they are working on a regular basis, such as technical training, special training and corporate culture training, to ensure that all employees be given opportunities to accept training for a certain hours. Training is conducted by both in-house and external training professionals. After the end of the training, follow-up appraisals are conducted to ensure the effectiveness of such training.

The proportion of male and female employees



The proportion of employees by age



Environment Conservation, Energy Saving and Emission Reduction

In response to the policy of the State to build a resource-saving and environment-friendly community, Chinasoft actively searches opportunities on energy conservation and emission reduction during the course of operation. The Group accomplishes this task by reducing the comprehensive cost centralizing energy conservation and emission reduction, and maximizing community resource consumption through the use of information technology and services.

Chinasoft consistently achieves energy conservation and consumption reduction by, among others channels, normal energy conservation, creative technological conservation, use of renewable energies, improving the management level of information technology, promotion of e-marketing channels and development of energy-saving information technology applications, during various sections from daily office environment, air-conditioning and use of electricity to printing on double-sided paper and waste recycling, as well as provides information technology solutions for energy conservation and emission reduction in other industries.

DIRECTORS' INTERESTS IN SHARES

As 30 June, 2014, 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, 2014
Zhao John Huan	335,076,453	17.89%
Chen Yuhong	170,993,039	9.13%
Tang Zhenming	13,127,765	0.70%
Wang Hui	6,277,838	0.34%
Zeng Zhijie	365,000	0.02%

Options to subscribe for Shares

Name of Director	Exercise Price (HK$)	No. of share options outstanding as at 1 January, 2014	No. of share options exercised during the period	No. of share options outstanding as at 30 June, 2014	Percentage of total issued ordinary share capital of the Company as at 30 June, 2014	No of underlying ordinary shares interested in	*Note*
Tang Zhenming	0.97	800,000	–	800,000	0.04%	2,800,000	*(1)*
	1.78	2,000,000	–	2,000,000	0.11%		*(2)*
Wang Hui	1.78	1,200,000	–	1,200,000	0.06%	1,200,000	*(2)*
Zeng Zhijie	1.78	385,000	–	385,000	0.02%	385,000	*(2)*

Notes:

(1) 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

(2) 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, 2014, there were share options to subscribe for an aggregate of 155,430,000 Shares granted to certain Directors and employees of the Group pursuant to the Share Option Scheme outstanding.

During the six months ended 30 June, 2014, an aggregate of 21,425,000 share options were exercised, an aggregate of 6,500,000 share options were lapsed and an aggregate of 110,000,000 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, 2014 none of the Directors was granted options to subscribe for shares of the Company and as at 30 June, 2014 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, 2014, 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, 2014.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June, 2014, 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 Corporate Governance Code and Corporate Governance Report 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.

In the opinion of the Board, the Group has complied with the Code from 1 January, 2014 to 30 June, 2014, except that (i) the Chairman of the Board was not able to attend the annual general meeting of the Company held on 19 May, 2014 (the "2013 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 2013 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 is 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, 2014.

SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors, as at 30 June, 2014, 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	17.89%	16.85%
Hony Capital Fund 2008, L.P. *(Note 1)*	Interest of controlled corporation	335.08	17.89%	16.85%
Hony Capital Fund 2008 GP L.P. *(Note 1)*	Interest of controlled corporation	335.08	17.89%	16.85%
Hony Capital Fund 2008 GP Limited *(Note 1)*	Interest of controlled corporation	335.08	17.89%	16.85%
Hony Capital Management Limited ("Hony Capital") *(Note 1)*	Interest of controlled corporation	335.08	17.89%	16.85%
Hony Managing Partners Limited *(Note 1)*	Interest of controlled corporation	335.08	17.89%	16.85%

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 1)*	Interest of controlled corporation	335.08	17.89%	16.85%
Greater Pacific Capital Partners, LP ("GPC") *(Note 2)*	Beneficial interest	119.27	6.37%	6.00%
EJF Capital LLC ("EJF") *(Note 3)*	Beneficial interest	116.40	6.22%	5.85%
Far East Holdings International Limited ("Far East Holdings") *(Note 4)*	Beneficial interest	113.40	6.06%	5.70%
Microsoft Corporation ("Microsoft") *(Note 5)*	Beneficial interest	97.25	5.19%	4.89%

* *The total number of issued share consists of 1,872,600,283 Ordinary Shares and 116,404,949 Convertible Notes, which could be converted into 116,404,949 Ordinary Shares.*

Notes:

1. Mr. Zhao John Huan is deemed to be interested in 335,076,453 shares and through Hony Managing Partners Limited, which is wholly owned by Mr. Zhao John Huan. Hony Managing Partners Limited owns 80% of Hony Capital. Hony Capital wholly owns Hony Capital Fund 2008 GP Limited, which controls Hony Capital Fund 2008 GP, L.P.. Hony Capital Fund 2008 GP, L.P. controls Hony Capital Fund 2008, L.P., which holds the entire issued share capital of Keen Insight.

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

3. 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.

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

5. 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, 2014, 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, 2014, 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 two independent non-executive directors, namely Mr. Zeng Zhijie and Dr. Leung Wing Yin Patrick. 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, 2014.

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, 2014.

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

29 August, 2014, Hong Kong