

Hong Kong Exchange and Clearing Limited and The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



中软国际

**CHINASOFT INTERNATIONAL LIMITED**

中軟國際有限公司\*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 354)

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

| <b>HIGHLIGHTS</b>   |   |                             |                 |
|---|---|-----------------------------|-----------------|
| <b>Results for the first half of 2017</b>   |   |                             |                 |
|   | <b>For the six months<br/>ended 30 June</b> |                             |                 |
|   | <b>(unaudited)<br/>2017</b>                 | <b>(unaudited)<br/>2016</b> | <b>% Change</b> |
| <b>Income statement highlights</b>  | <b>RMB'000</b>                              | <b>RMB'000</b>              |                 |
| Revenue   | <b>4,145,060</b>                            | 2,884,951                   | 43.7%           |
| Revenue from service  | <b>4,047,248</b>                            | 2,832,120                   | 42.9%           |
| Profit for the period   | <b>240,445</b>                              | 218,619                     | 10.0%           |
| <b>Profit attributable to Owners<br/>of the Group</b>                                 | <b>245,470</b>                              | 236,237                     | 3.9%            |
| Basic EPS ( <i>RMB cents</i> )  | <b>10.26</b>                                | 11.04                       | (7.0%)          |
| Profit for the period after excluding<br>share option expense                         | <b>311,982</b>                              | 226,292                     | 37.9%           |
| Profit attributable to Owners of<br>the Group after excluding share<br>option expense | <b>317,007</b>                              | 243,910                     | 30.0%           |
| Basic EPS after excluding share option<br>expense ( <i>RMB cents</i> )                | <b>13.25</b>                                | 11.40                       | 16.2%           |

| <b>Statement of financial<br/>position highlights</b> | <b>(unaudited)<br/>30 June<br/>2017<br/>RMB'000</b> | <b>(audited)<br/>31 December<br/>2016<br/>RMB'000</b> | <b>% Change</b> |
|---|---|---|-----------------|
| Total assets  | <b>7,759,527</b>                                    | 7,229,303   | 7.3%            |
| Total liabilities                                     | <b><u>(2,985,259)</u></b>                           | <u>(2,896,664)</u>                                    | 3.1%            |
| Total equity  | <b><u><u>4,774,268</u></u></b>                      | <u><u>4,332,639</u></u>                               | 10.2%           |

- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017.
- No closure for the Register of Members of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### KEY OPERATING DATA

During the first half of 2017, the Group's businesses achieved high growths. The revenue and service revenue increased by 43.7% and 42.9% YoY. The profit for the period, the profit attributable to the owners of the Group and EPS excluding share option expenses increased by 37.9%, 30.0% and 16.2% YoY.

|   | Six Months Ended 30 June |                 | % Change |
|---|--------------------------|-----------------|----------|
|   | 2017<br>RMB'000          | 2016<br>RMB'000 |          |
| <b>Revenue</b>  | <b>4,145,060</b>         | 2,884,951       | 43.7%    |
| <b>Service revenue</b>  | <b>4,047,248</b>         | 2,832,120       | 42.9%    |
| Profit for the period   | <b>240,445</b>           | 218,619         | 10.0%    |
| Profit attributable to shareholders   | <b>245,470</b>           | 236,237         | 3.9%     |
| Basic EPS (RMB cents)   | <b>10.26</b>             | 11.04           | (7.0%)   |
| Profit for the period after excluding share option expense                      | <b>311,982</b>           | 226,292         | 37.9%    |
| Profit attributable to Owners of the Group after excluding share option expense | <b>317,007</b>           | 243,910         | 30.0%    |
| Basic EPS after excluding share option expense (RMB cents)                      | <b>13.25</b>             | 11.40           | 16.2%    |

The key operating data (unaudited) for six months ended 30 June 2017 are:

|  | Six Months Ended 30 June |                 | % Change |
|--|--------------------------|-----------------|----------|
|  | 2017<br>RMB'000          | 2016<br>RMB'000 |          |
| <b>Revenue</b>   | <b>4,145,060</b>         | 2,884,951       | 43.7%    |
| <b>Service revenue</b>                                       | <b>4,047,248</b>         | 2,832,120       | 42.9%    |
| Cost of Sales  | <b>(3,002,387)</b>       | (2,082,316)     | 44.2%    |
| <b>Gross Profit</b>  | <b>1,142,673</b>         | 802,635         | 42.4%    |
| Other income, gains and losses                               | <b>33,879</b>            | 48,113          | (29.6%)  |
| Selling and distribution expenses                            | <b>(146,944)</b>         | (112,217)       | 30.9%    |
| Administrative expenses                                      | <b>(659,774)</b>         | (390,651)       | 68.9%    |
| Allowance for doubtful debts                                 | <b>(1,401)</b>           | (11,382)        | (87.7%)  |
| Finance Costs  | <b>(43,064)</b>          | (39,039)        | 10.3%    |
| Amortization of intangible assets and prepaid lease payments | <b>(41,759)</b>          | (41,479)        | 0.7%     |
| Share of results of associates                               | <b>(15,509)</b>          | 10,148          | (252.8%) |
| <b>Profit before taxation</b>                                | <b>268,101</b>           | 266,128         | 0.7%     |
| Taxation   | <b>(27,656)</b>          | (47,509)        | (41.8%)  |
| <b>Profit for the period</b>                                 | <b>240,445</b>           | 218,619         | 10.0%    |
| Profit for the period after excluding share option expense   | <b>311,982</b>           | 226,292         | 37.9%    |

## GENERAL OVERVIEW

The revenue, service revenue, and results of the Group's different lines of business for the first half of 2017 are as follow:

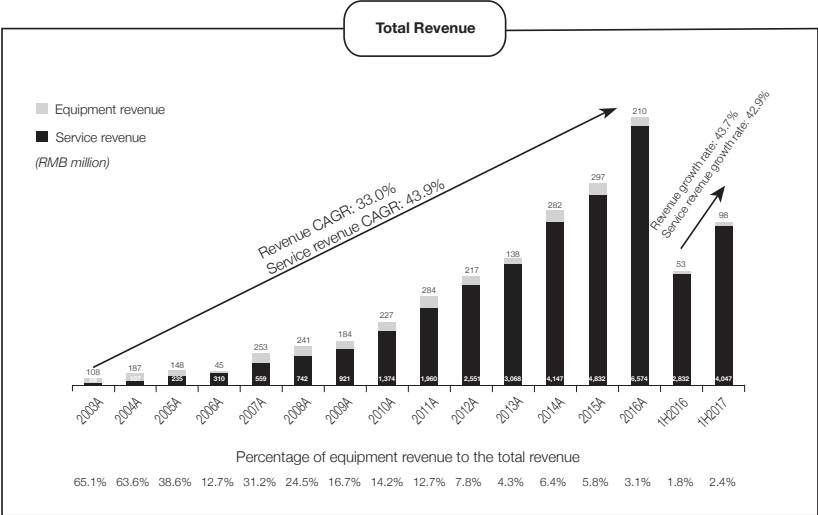
|   | Revenue                  |                 |             | Service Revenue          |                 |             | Results                  |                 |             |
|---|--------------------------|-----------------|-------------|--------------------------|-----------------|-------------|--------------------------|-----------------|-------------|
|   | Six Months Ended 30 June |                 | Growth Rate | Six Months Ended 30 June |                 | Growth Rate | Six Months Ended 30 June |                 | Growth Rate |
|   | 2017<br>RMB'000          | 2016<br>RMB'000 |             | 2017<br>RMB'000          | 2016<br>RMB'000 |             | 2017<br>RMB'000          | 2016<br>RMB'000 |             |
| Technical and Professional services Group (TPG) | <b>3,511,450</b>         | 2,287,883       | 53.5%       | <b>3,460,084</b>         | 2,276,098       | 52.0%       | <b>368,493</b>           | 249,605         | 47.6%       |
| Internet ITS Group (IIG)                        | <b>633,610</b>           | 597,068         | 6.1%        | <b>587,164</b>           | 556,022         | 5.6%        | <b>48,690</b>            | 67,570          | (27.9%)     |
| Total   | <b>4,145,060</b>         | 2,884,951       | 43.7%       | <b>4,047,248</b>         | 2,832,120       | 42.9%       | <b>417,183</b>           | 317,175         | 31.5%       |

In terms of segment revenues, TPG's revenue and service revenue achieved a YoY growth of 53.5% and 52.0%. The main growth came from the large increase of businesses from core customers including Huawei, HSBC, Tencent, Ping-An, and etc. IIG's revenue and service revenue achieved a YoY growth of 6.1% and 5.6%. The main growth came from the large increase of the Jointforce business.

In terms of segment results, TPG achieved a YoY growth of 47.6%, slightly less than the growth of the revenue because during the reporting period the Group invested more into R&D for cloud, big data and other new business. IIG's result experienced a YoY decrease of 27.9%. This decrease came from the increase of market investment from associates and the first half of the year is considered to be the off season, thus affecting the overall results of the IIG. Excluding the associate's result, IIG's result achieved a YoY growth of 11.8%. This growth came from the high growth of Jointforce, which made an important contribution to IIG's overall profit margin.

The Group believes that as Jointforce expands in business scale, and cloud computing and big data (high profit margin) businesses continue to grow, they will provide the engine for the Group's steady revenue and profit margin increase.

Since listing on the GEM board in 2003, the Group has maintained high revenue and service revenue growth, recording a CAGR of 33.0% and 43.9% from 2003-2016. For the first half of 2017, the revenue and service revenue achieved a YoY growths of 43.7% and 42.9%. The details are as follow:



**Customers**

The Group’s customers include large enterprises with headquarters in the Greater China region, Europe, America, and Japan. In the Chinese market, the Group holds a larger market share in telecommunication, banking, financial, Internet, and high technology industries. In the first half of 2017, the top five and ten customers accounted for 73.3% and 77.8% of the Group’s service revenue.

As of 30 June 2017, the Group has 79 large customers (contributed to more than RMB6 million of service revenue within the past 12 months).

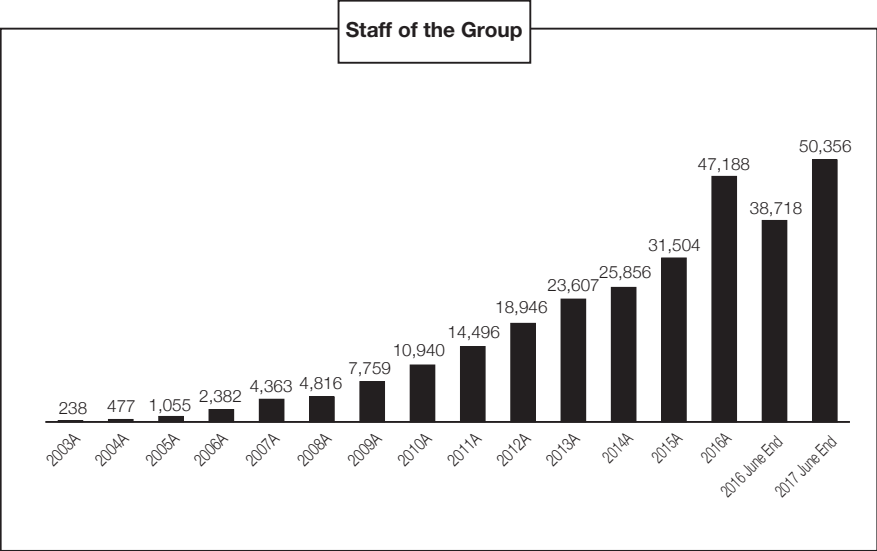
**Market**

The Group’s businesses are concentrated in the Greater China region. For the first half of 2017, the Group continued to set the Greater China market as an important area of development. China’s strong economic growth and market potentials give rise to long-term growth opportunities. At the same time, the Group is eagerly expanding into the global market and setting a solid foundation for future business growths.

**Human Resources**

As of 30 June 2017, the Group has a total of 50,356 employees, representing an increase of 30.1% YoY.

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



## Operating Results

The following chart is the Group's consolidated statement of comprehensive income for the first half of 2016 and 2017 (unaudited):

|   | 2017                          |                |                      | 2016                          |                |                      |
|---|-------------------------------|----------------|----------------------|-------------------------------|----------------|----------------------|
|   | For the first half<br>RMB'000 | % of Revenue   | % of Service Revenue | For the first half<br>RMB'000 | % of Revenue   | % of Service Revenue |
| <b>Revenue</b>  | <b>4,145,060</b>              | N/A            | N/A                  | 2,884,951                     | N/A            | N/A                  |
| <i>Service revenue</i>  | <b>4,047,248</b>              | N/A            | N/A                  | 2,832,120                     | N/A            | N/A                  |
| Cost of Sales   | <u>(3,002,387)</u>            | <u>(72.4%)</u> | <u>N/A</u>           | <u>(2,082,316)</u>            | <u>(72.2%)</u> | <u>N/A</u>           |
| <b>Gross Profit</b>   | <b>1,142,673</b>              | <b>27.6%</b>   | <b>28.2%</b>         | 802,635                       | 27.8%          | 28.3%                |
| Other income, gains and loss  | <b>33,879</b>                 | <b>0.8%</b>    | <b>0.8%</b>          | 48,113                        | 1.7%           | 1.7%                 |
| Selling and distribution costs  | <b>(146,944)</b>              | <b>(3.5%)</b>  | <b>(3.6%)</b>        | (112,217)                     | (3.9%)         | (4.0%)               |
| Administrative expenses   | <b>(659,774)</b>              | <b>(15.9%)</b> | <b>(16.3%)</b>       | (390,651)                     | (13.5%)        | (13.8%)              |
| Allowance for doubtful debts  | <b>(1,401)</b>                | <b>(0.03%)</b> | <b>(0.03%)</b>       | (11,382)                      | (0.4%)         | (0.4%)               |
| Amortization of intangible assets   | <b>(41,759)</b>               | <b>(1.0%)</b>  | <b>(1.0%)</b>        | (41,479)                      | (1.4%)         | (1.5%)               |
| Finance costs   | <b>(43,064)</b>               | <b>(1.0%)</b>  | <b>(1.1%)</b>        | (39,039)                      | (1.4%)         | (1.4%)               |
| Share of result of associates   | <b>(15,509)</b>               | <b>(0.37%)</b> | <b>(0.38%)</b>       | 10,148                        | 0.35%          | 0.36%                |
| Profit for the period   | <b>268,101</b>                | <b>6.5%</b>    | <b>6.6%</b>          | 266,128                       | 9.2%           | 9.4%                 |
| Taxation  | <u>(27,656)</u>               | <u>(0.7%)</u>  | <u>(0.7%)</u>        | <u>(47,509)</u>               | <u>(1.6%)</u>  | <u>(1.7%)</u>        |
| <b>Profit for the period</b>  | <b><u>240,445</u></b>         | <b>5.8%</b>    | <b>5.9%</b>          | <b><u>218,619</u></b>         | 7.6%           | 7.7%                 |
| <b>The Group's profit attributable to owners</b>                                | <b><u>245,470</u></b>         | <b>5.9%</b>    | <b>6.1%</b>          | <b><u>236,237</u></b>         | 8.2%           | 8.3%                 |
| Profit for the period after excluding share option expense                      | <b>311,982</b>                | <b>7.5%</b>    | <b>7.7%</b>          | 226,292                       | 7.8%           | 8.0%                 |
| Profit attributable to owners of the Group after excluding share option expense | <b>317,007</b>                | <b>7.6%</b>    | <b>7.8%</b>          | 243,910                       | 8.5%           | 8.6%                 |

## Revenue

For the first half of 2017, the Group's revenue was RMB4,145.060 million, representing a YoY growth of 43.7% (2016H1: RMB2,884.951 million). The Group's service revenue was RMB4,047.248 million, representing a YoY growth of 42.9% (2017H1: RMB2,832.120 million). The main growth came from increased businesses from core customers, cloud computing, big data, and Jointforce businesses.

For the first half of 2017, the segment's revenue to total revenue and growth are as follow:

|   | <b>Six Months Ended 30 June 2017</b><br><i>RMB'000</i> | <b>% of Total</b> | <b>Six Months Ended 30 June 2016</b><br><i>RMB'000</i> | <b>% of Total</b> | <b>Growth Rate</b> |
|---|--|-------------------|--|-------------------|--------------------|
| Technical and Professional Services Group (TPG) | <b>3,511,450</b>                                       | <b>84.7%</b>      | 2,287,883  | 79.3%             | 53.5%              |
| Internet ITS Group (IIG)                        | <b>633,610</b>   | <b>15.3%</b>      | 597,068  | 20.7%             | 6.1%               |
| <b>Total</b>                                    | <b>4,145,060</b>                                       | <b>100%</b>       | 2,884,951  | 100%              | 43.7%              |

For the first half of 2017, the segment's service revenue to total revenue and growth are as follow:

|   | <b>Six Months Ended 30 June 2017</b><br><i>RMB'000</i> | <b>% of Total</b> | <b>Six Months Ended 30 June 2016</b><br><i>RMB'000</i> | <b>% of Total</b> | <b>Growth Rate</b> |
|---|--|-------------------|--|-------------------|--------------------|
| Technical and professional Services Group (TPG) | <b>3,460,084</b>                                       | <b>85.5%</b>      | 2,276,098  | 80.4%             | 52.0%              |
| Internet ITS Group (IIG)                        | <b>587,164</b>   | <b>14.5%</b>      | 556,022  | 19.6%             | 5.6%               |
| <b>Total</b>                                    | <b>4,047,248</b>                                       | <b>100%</b>       | 2,832,120  | 100%              | 42.9%              |

## Cost of Sales

For the first half of 2017, the Group's cost of sales was RMB3,002.387 million, representing a YoY increase of 44.2% (2016H1: 2,082.316 million).



## **Gross Profit**

For the first half of 2017, the Group's gross profit was RMB1,142.673 million, representing a YoY growth of 42.4% (2016H1: 802.635 million). The Group's gross margin was 27.6%, representing a YoY decrease of 0.2% (2016H1: 27.8%). The decrease is because during the reporting period the TPG's outsourcing business grew rapidly, and the outsourcing business is typically a lower margin business.

## **Other Income, Gains, and Losses**

For the first half of 2017, the Group's other income was RMB33.879 million, representing a YoY decrease of 29.6% (2016H1: 48.113 million). The main reason for the decrease is because last year Catapult Systems failed to meet the conditions (as promised in the M&A agreement), which exempted the Group of approximately RMB20 million. Excluding this, the Group's other income increased by 20.5%, due to the increase of government subsidies.

## **Operating Expenses**

For the first half of 2017, the Group's selling and distribution expenses were RMB146.944 million, representing a YoY increase of 30.9% (2016H1: RMB112.217 million). The Group's selling and distribution expenses accounted for 3.5% of the revenue, representing a YoY decrease of 0.4% (2016H1: 3.9%). The Group's selling and distribution expenses accounted for 3.6% of the service revenue, representing a YoY decrease of 0.4% (2016H1: 4.0%).

For the first half of 2017, the Group's administrative expense was RMB659.774 million, representing a YoY increase of 68.9% (2016H1: RMB390.651 million). The Group's administrative expense accounted for 15.9% of the revenue, representing a YoY increase of 2.4% (2016H1: 13.5%). The Group's administrative expenses accounted for 16.3% of the service revenue, representing a YoY increase of 2.5% (2016H1: 13.8%). The main reason for the increased expense is because 1) the Group issued 215 million share options end of last year and beginning of this year in order to incentivize core talents, resulting in increase of share option expenses and 2) increased of R&D for cloud computing and big data businesses.

## **Finance Expense and Income Tax**

For the first half of 2017, the Group's finance expense was RMB43.064 million, representing a YoY growth of 10.3% (2016H1: RMB39.039 million). The Group's finance expense accounted for 1.0% of the revenue, representing a YoY decrease of 0.4% (2016H1: 1.4%).

For the first half of 2017, the income tax was RMB27.656 million, representing a YoY decrease of 41.8% (2016H1: RMB47.509 million). The main reason for the decrease is because of a one-time income tax expense for the dividend issuance from a subsidiary of the Group during the same reporting period of last year.

### **Other Non-Cash Expenses**

For the first half of 2017, the Group's amortization of intangible assets was RMB41.759 million, almost the same as that of last year (2016H1: RMB41.479 million). The Group's amortization of intangible assets accounted for 1.0% of the revenue, representing a YoY decrease of 0.4% (2016H1: 1.4%).

For the first half of 2017, the Group's allowance for doubtful debts was RMB1.401 million, representing a YoY decrease of 87.7% (2016H1: RMB11.382 million).

For the first half of 2017, the Group's share option expense accounted for 1.7% of the revenue, representing a YoY increase of 1.4% (2016H1: 0.3%). The Group's share option expense was RMB71.537 million, representing a YoY increase of 832.3% (2016H1: RMB7.673 million). The main reason is because in order to incentivize the core talents, the Group issued 215 million share options at the end of 2016 and the beginning of 2017.

### **Profit for the Period and Earnings Per Share (EPS)**

For the first half of 2017, the Group's profit was RMB240.445 million, representing a YoY growth of 10.0% (2016H1: RMB218.619 million). The Group's profit accounted for 5.8% of the revenue, representing a YoY decrease of 1.8% (2016H1: 7.6%). The Group's profit accounted for 5.9% of the service revenue, representing a YoY decrease of 1.8% (2016H1: 7.7%). Excluding the share option expenses, the Group's profit was RMB311.982 million, representing a YoY growth of 37.9% (2016H1: RMB226.292 million).

The Group's profit attributable to the owners of the Group was RMB245.470 million, representing a YoY growth of 3.9% (2016H1: 236.237 million). Excluding the share option expenses, the Group's profit attributable to the owners of the Group was RMB317.007 million, representing a YoY growth of 30.0% (2016H1: RMB243.910 million).

Based on the profit attributable to the owners of the Group's EPS was RMB10.26 cents (2016H1: RMB11.04 cents), representing a YoY decrease of 7.0%. Excluding the share option expenses, the Group's EPS was RMB13.25 cents, representing a YoY growth of 16.2% (2016H1: RMB11.40 cents).

### **Fundraising Activities**

During the current and last interim periods, the Group had conducted several fund raising activities which details are summarized as below:

- (1) On 18 April 2017 and 18 May 2017, the Group entered into the Subscription Agreement and Supplemental Agreement respectively with Dan Capital Management Ltd. (the "Dan Capital") pursuant to which the Company has conditionally agreed to issue, and Dan Capital has conditionally agreed to subscribe for, the Convertible Notes in an aggregate principal amount of HK\$900,000,000 due in 2022 ("2017 CN").

The 2017 CN have been issued on 3 July 2017 under the general mandate granted to the Directors at the annual general meeting of the Company held on 18 May 2016. The Group intends to use the proceeds for the following purposes: 1. Approximately HK\$600,000,000 for mergers and acquisitions and establishing an M&A fund to upgrade new technological capability and strengthen the ecological construction of the cloud services; 2. Approximately HK\$100,000,000 for upgrading the Jointforce to forge a comprehensive platform for the IT industry chain; and 3. Approximately HK\$200,000,000 for replenishing the Company's working capital and repaying certain bank loans with relatively higher interest rates.

As at 30 June 2017, the 2017 CN with the principal amount of HK\$90,000,000 was not in issue yet, no ordinary shares could be converted upon full conversion.

- (2) On 3 February 2016, the Group entered into the Subscription Agreement with Huarong International Asset Management Growth Fund (the "Huarong") pursuant to which the Company has conditionally agreed to issue and Huarong has conditionally agreed to subscribe for the total amount of the principal amount is US\$70,000,000 (equivalent to approximately RMB458.649 million) of the Convertible Notes due in 2019 ("2016 CN"). The 2016 CN was issued in two installments, namely the First Tranche Convertible Notes and the Second Tranche Convertible Notes.

The total amount of the First Tranche Convertible Notes is US\$30,000,000 (equivalent to approximately RMB196.564 million) and the Second Tranche Convertible Notes total principal amount of US\$40,000,000 (equivalent to approximately RMB262.085 million) have been issued on 15 February 2016 and 10 March 2016 under the general mandate granted to the Directors at the annual general meeting of the Company held on 18 May 2015. Approximately 90% of the gross proceeds was used to repay bank borrowings and 10% was transferred to the PRC subsidiaries as working capital.

During the year ended 31 December 2016, the 2016 CN with the principal amount of USD30,000,000 were converted into 77,994,690 ordinary shares. As at 31 December 2016 and 30 June 2017, the outstanding 2016 CN with the principal amount of USD40,000,000 could be converted into 103,992,922 ordinary shares upon full conversion at a conversion price of HK\$3.00 per share.

## 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 2017 with corresponding figures as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

|  | <i>Notes</i> | For the six months<br>ended 30 June |                        |
|--|--------------|-------------------------------------|------------------------|
|  |              | 2017<br><i>RMB'000</i>              | 2016<br><i>RMB'000</i> |
| Turnover   | 3            | <b>4,145,060</b>                    | 2,884,951              |
| Cost of sales  |              | <b>(3,002,387)</b>                  | (2,082,316)            |
| Gross profit   |              | <b>1,142,673</b>                    | 802,635                |
| Other income, gains and losses                                       |              | <b>33,879</b>                       | 48,113                 |
| Selling and distribution costs                                       |              | <b>(146,944)</b>                    | (112,217)              |
| Administrative expenses  |              | <b>(659,774)</b>                    | (390,651)              |
| Allowance for doubtful debts   |              | <b>(1,401)</b>                      | (11,382)               |
| Amortisation of intangible assets                                    |              | <b>(41,759)</b>                     | (41,479)               |
| Finance costs  | 4            | <b>(43,064)</b>                     | (39,039)               |
| Share of result of associates  |              | <b>(15,509)</b>                     | 10,148                 |
| Profit before taxation   |              | <b>268,101</b>                      | 266,128                |
| Taxation   | 5            | <b>(27,656)</b>                     | (47,509)               |
| Profit for the period  |              | <b>240,445</b>                      | 218,619                |
| Other comprehensive income   |              |                                     |                        |
| Exchange differences arising on transaction<br>of foreign operations |              | <b>(8,712)</b>                      | (1,469)                |
| Total comprehensive income for the period                            |              | <b>231,733</b>                      | 217,150                |
| Profit for the period attributable to:                               |              |                                     |                        |
| Owners of the Company  |              | <b>245,470</b>                      | 236,237                |
| Non-controlling interests  |              | <b>(5,025)</b>                      | (17,618)               |
|  |              | <b>240,445</b>                      | 218,619                |
| Total comprehensive income attributable to:                          |              |                                     |                        |
| Owners of the Company  |              | <b>236,758</b>                      | 234,768                |
| Non-controlling interests  |              | <b>(5,025)</b>                      | (17,618)               |
|  |              | <b>231,733</b>                      | 217,150                |
| Earnings per share   | 7            |                                     |                        |
| – Basic (cents)  |              | <b>10.26</b>                        | 11.04                  |
| – Diluted (cents)  |              | <b>10.19</b>                        | 10.63                  |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

|   |              | (Unaudited)<br>30 June<br>2017 | (Audited)<br>31 December<br>2016 |
|---|--------------|--------------------------------|----------------------------------|
|   | <i>Notes</i> | <i>RMB'000</i>                 | <i>RMB'000</i>                   |
| <b>Non-current assets</b>                               |              |                                |                                  |
| Property, plant and equipment                           |              | 852,634                        | 819,799                          |
| Intangible assets                                       |              | 201,848                        | 231,075                          |
| Goodwill  |              | 1,008,479                      | 1,008,479                        |
| Interests in associates                                 |              | 93,946                         | 104,190                          |
| Available-for-sale investment                           |              | 61,970                         | 61,965                           |
| Prepaid lease payments                                  |              | 38,290                         | 38,723                           |
| Other receivable  |              | 30,000                         | 30,000                           |
| Deferred tax assets                                     |              | 7,589                          | 7,646                            |
|   |              | <b>2,294,756</b>               | <b>2,301,877</b>                 |
| <b>Current assets</b>                                   |              |                                |                                  |
| Inventories   |              | 54,500                         | 20,893                           |
| Trade and other receivables                             | 8            | 2,749,266                      | 2,092,700                        |
| Bill receivable   |              | 6,299                          | 23,186                           |
| Prepaid lease payments                                  |              | 860                            | 860                              |
| Amounts due from customers for contract work            |              | 1,547,993                      | 1,430,206                        |
| Amount due from related companies                       |              | 50,334                         | 59,939                           |
| Pledged deposits  |              | 1,008                          | 670                              |
| Bank balances and cash                                  |              | 1,054,511                      | 1,298,972                        |
|   |              | <b>5,464,771</b>               | <b>4,927,426</b>                 |
| <b>Current liabilities</b>                              |              |                                |                                  |
| Amounts due to customers for contract work              |              | 44,442                         | 122,271                          |
| Trade and other payables                                | 9            | 1,208,866                      | 1,203,843                        |
| Bills payable   |              | 24,516                         | 812                              |
| Amounts due to related companies                        |              | 20,089                         | 37,983                           |
| Dividend payable to shareholders                        |              | 81                             | 83                               |
| Taxation payable  |              | 132,945                        | 130,450                          |
| Borrowings  | 10           | 1,160,682                      | 922,452                          |
| Consideration payable on acquisition<br>of a subsidiary |              | –                              | 21,035                           |
|   |              | <b>2,591,621</b>               | <b>2,438,929</b>                 |
| Net current assets                                      |              | <b>2,873,150</b>               | <b>2,488,497</b>                 |
| Total assets less current liabilities                   |              | <b>5,167,906</b>               | <b>4,790,374</b>                 |

|   |    | (Unaudited)<br>30 June<br>2017<br><i>RMB'000</i> | (Audited)<br>31 December<br>2016<br><i>RMB'000</i> |
|---|----|--|--|
| Non-current liabilities                                 |    |  |  |
| Deferred tax liabilities                                |    | 17,746   | 18,943   |
| Convertible loan notes                                  |    | 248,592  | 244,296  |
| Borrowings  | 10 | <u>127,300</u>                                   | <u>194,496</u>                                     |
|   |    | <u>393,638</u>                                   | <u>457,735</u>                                     |
|   |    | <u><b>4,774,268</b></u>                          | <u>4,332,639</u>                                   |
| Capital and reserves                                    |    |  |  |
| Share capital   | 11 | 110,283  | 106,387  |
| Share premium   |    | 2,809,330  | 2,652,697  |
| Reserves  |    | <u>1,791,255</u>                                 | <u>1,505,130</u>                                   |
| Equity attributable to equity holders<br>of the Company |    | <u>4,710,868</u>                                 | 4,264,214  |
| Non-controlling interests                               |    | <u>63,400</u>                                    | <u>68,425</u>                                      |
| Total equity  |    | <u><b>4,774,268</b></u>                          | <u>4,332,639</u>                                   |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

|  | Attributable to the owners of the company |               |                 |                     |                       |                                |                      |                                     |                                |                     |           |                           |           |
|--|---|---------------|-----------------|---------------------|-----------------------|--------------------------------|----------------------|-------------------------------------|--------------------------------|---------------------|-----------|---------------------------|-----------|
|  | Share capital                             | Share premium | Hedging reserve | Translation reserve | Share options reserve | Convertible loan notes reserve | General reserve fund | Statutory enterprise expansion fund | Statutory surplus reserve fund | Accumulated profits | Total     | Non-controlling interests | Total     |
|  | RMB'000                                   | RMB'000       | RMB'000         | RMB'000             | RMB'000               | RMB'000                        | RMB'000              | RMB'000                             | RMB'000                        | RMB'000             | RMB'000   | RMB'000                   | RMB'000   |
| At 1 January 2016  | 95,645                                    | 2,106,029     | 25,989          | 1,960               | 50,605                | 13,676                         | 15,793               | 26,749                              | 87,133                         | 823,626             | 3,247,205 | 239,065                   | 3,486,270 |
| Profit for the period  | -   | -             | -               | -                   | -                     | -                              | -                    | -                                   | -                              | 236,237             | 236,237   | (17,618)                  | 218,619   |
| Exchange differences arising from translation of overseas operations   | -   | -             | -               | (1,469)             | -                     | -                              | -                    | -                                   | -                              | -                   | (1,469)   | -                         | (1,469)   |
| Total comprehensive income for the period                              | -   | -             | -               | (1,469)             | -                     | -                              | -                    | -                                   | -                              | 236,237             | 234,768   | (17,618)                  | 217,150   |
| New issue of shares upon exercise of share option                      | 310                                       | 12,289        | -               | -                   | (1,813)               | -                              | -                    | -                                   | -                              | -                   | 10,786    | -                         | 10,786    |
| Recognition of equity-settled share based payments                     | -   | -             | -               | -                   | 7,673                 | -                              | -                    | -                                   | -                              | -                   | 7,673     | -                         | 7,673     |
| Cancellation of share options  | -   | -             | -               | -                   | (784)                 | -                              | -                    | -                                   | -                              | -                   | (784)     | -                         | (784)     |
| Issue of ordinary shares upon subscription                             | 3,602                                     | 197,048       | -               | -                   | -                     | -                              | -                    | -                                   | -                              | -                   | 200,650   | -                         | 200,650   |
| Capital contribution from non-controlling shareholders of a subsidiary | -   | -             | -               | -                   | -                     | -                              | -                    | -                                   | -                              | -                   | -         | 100                       | 100       |
| Acquisition of additional equity interest in subsidiary                | -   | (66,781)      | -               | -                   | -                     | -                              | -                    | -                                   | -                              | -                   | (66,781)  | (134,947)                 | (201,728) |
| At 30 June 2016  | 99,557                                    | 2,248,585     | 25,989          | 491                 | 55,681                | 13,676                         | 15,793               | 26,749                              | 87,133                         | 1,059,863           | 3,633,517 | 86,600                    | 3,720,117 |
| At 1 January 2017  | 106,387                                   | 2,652,697     | (122,769)       | 21,457              | 88,340                | 23,544                         | 15,793               | 26,749                              | 129,901                        | 1,322,115           | 4,264,214 | 68,425                    | 4,332,639 |
| Profit for the period  | -   | -             | -               | -                   | -                     | -                              | -                    | -                                   | -                              | 245,470             | 245,470   | (5,025)                   | 240,445   |
| Exchange differences arising from translation of overseas operations   | -   | -             | -               | (8,712)             | -                     | -                              | -                    | -                                   | -                              | -                   | (8,712)   | -                         | (8,712)   |
| Total comprehensive income for the period                              | -   | -             | -               | (8,712)             | -                     | -                              | -                    | -                                   | -                              | 245,470             | 236,758   | (5,025)                   | 231,733   |
| New issue of shares upon exercise of share option                      | 3,896                                     | 181,652       | -               | -                   | (22,167)              | -                              | -                    | -                                   | -                              | -                   | 163,381   | -                         | 163,381   |
| Recognition of equity-settled share based payments                     | -   | -             | -               | -                   | 71,537                | -                              | -                    | -                                   | -                              | -                   | 71,537    | -                         | 71,537    |
| Cancellation of share options  | -   | -             | -               | -                   | (3)                   | -                              | -                    | -                                   | -                              | -                   | (3)       | -                         | (3)       |
| Dividend paid (2016 final dividend)                                    | -   | (25,019)      | -               | -                   | -                     | -                              | -                    | -                                   | -                              | -                   | (25,019)  | -                         | (25,019)  |
| At 30 June 2017  | 110,283                                   | 2,809,330     | (122,769)       | 12,745              | 137,707               | 23,544                         | 15,793               | 26,749                              | 129,901                        | 1,567,585           | 4,710,868 | 63,400                    | 4,774,268 |

**CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**

|  | <b>Six months ended</b> |                       |
|--|-------------------------|-----------------------|
|  | <b>30 June</b>          |                       |
|  | <b>2017</b>             | <b>2016</b>           |
|  | <b><i>RMB'000</i></b>   | <b><i>RMB'000</i></b> |
| Net cash used in operating activities                    | <b>(618,007)</b>        | (560,976)             |
| Net cash used in investing activities                    | <b>(122,736)</b>        | (132,364)             |
| Net cash generated from financial activities             | <b>497,835</b>          | 173,240               |
| Net decrease in cash and cash equivalents                | <b>(242,908)</b>        | (520,100)             |
| Effect of foreign exchange rate changes                  | <b>(1,553)</b>          | 1,003                 |
| Cash and cash equivalents at the beginning of the period | <b>1,298,972</b>        | 1,265,831             |
| Cash and cash equivalents at the end of the period       | <b>1,054,511</b>        | 746,734               |



## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PRESENTATION

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

### 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in these condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time.

|   |   |
|---|---|
| Amendments to HKAS 11                           | Accounting for Acquisitions of Interest in Joint Operations             |
| Amendments to HKAS 1                            | Disclosure Initiative   |
| Amendments to HKAS 16<br>and HKAS 38            | Clarification of Acceptable Methods of Depreciation and<br>Amortisation |
| Amendments to HKAS 16<br>and HKAS 41            | Agriculture: Bearer Plants  |
| Amendments to HKFRS 10,<br>HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception               |
| Amendments to HKFRSs                            | Annual Improvements to HKFRSs 2012–2014 Cycle                           |

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### 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 by the Group’s operating divisions.

The Group's operating and reportable segments are as follows:

1. Technical Professional Group ("TPG") – Targeting large industry vertical enterprise customers, providing services including vertical domain solutions, product engineering, application system development and testing.
2. Internet IT Service Group ("IIG") – Targeting "long tail" markets in IT services, including SMEs and local governments, and individual programmers and small programming teams. IIG's main services provided include: membership management, transaction facilitation, payment services, social blogs/media and cloud delivery process software rental.

Information regarding the above segments is reported as below.

### Segment revenues and results

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

|  | For the six months ended 30 June |                |                 |                |
|--|----------------------------------|----------------|-----------------|----------------|
|  | Segment revenue                  |                | Segment results |                |
|  | 2017                             | 2016           | 2017            | 2016           |
|  | <i>RMB'000</i>                   | <i>RMB'000</i> | <i>RMB'000</i>  | <i>RMB'000</i> |
| Technical professional services business (TPG) | <b>3,511,450</b>                 | 2,287,883      | <b>368,493</b>  | 249,605        |
| Internet IT services business (IIG)            | <b>633,610</b>                   | 597,068        | <b>48,690</b>   | 67,570         |
|  | <b>4,145,060</b>                 | 2,884,951      | <b>417,183</b>  | 317,175        |

Segment revenue by products and services:

|  | For the six months ended 30 June |                |
|--|----------------------------------|----------------|
|  | 2017                             | 2016           |
|  | <i>RMB'000</i>                   | <i>RMB'000</i> |
| Sale of software and hardware products         | <b>97,812</b>                    | 52,831         |
| Technical professional services business (TPG) | <b>3,460,084</b>                 | 2,276,098      |
| Internet IT services business (IIG)            | <b>587,164</b>                   | 556,022        |
|  | <b>4,047,248</b>                 | 2,832,120      |
|  | <b>4,145,060</b>                 | 2,884,951      |

Reconciliation of segment results to profit before taxation:

|  | <b>For the six months<br/>ended 30 June</b> |                |
|--|---|----------------|
|  | <b>2017</b>                                 | 2016           |
|  | <b><i>RMB'000</i></b>                       | <i>RMB'000</i> |
| Segment results                              | <b>417,183</b>                              | 317,175        |
| Other income, gains and losses               | <b>800</b>                                  | 4,189          |
| Loan interest                                | –   | (3,664)        |
| Corporate expenses                           | <b>(68,121)</b>                             | (31,415)       |
| Share option expenses                        | <b>(71,537)</b>                             | (7,673)        |
| Effective interest on convertible loan notes | <b>(10,224)</b>                             | (12,484)       |
|  | <u><b>268,101</b></u>                       | <u>266,128</u> |
| Profit before taxation                       | <u><b>268,101</b></u>                       | <u>266,128</u> |

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

The accounting policies of the reportable operating segments are the same as the Group's accounting policies.

Segment results represent the profit earned by each segment without allocation of corporate expenses, share option expenses, gain arising from changes in fair value of contingent consideration payable on acquisition of a subsidiary, interest charge 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

|   | <b>For the six months<br/>ended 30 June</b> |                |
|---|---|----------------|
|   | <b>2017</b>                                 | 2016           |
|   | <b><i>RMB'000</i></b>                       | <i>RMB'000</i> |
| Interest on borrowings wholly repayable within five years | <b>32,840</b>                               | 26,555         |
| Effective interest on convertible loan notes              | <b>10,224</b>                               | 12,484         |
|   | <u><b>43,064</b></u>                        | <u>39,039</u>  |
|   | <u><b>43,064</b></u>                        | <u>39,039</u>  |

## 5. TAXATION

|                                       | For the six months<br>ended 30 June |               |
|---------------------------------------|-------------------------------------|---------------|
|                                       | 2017                                | 2016          |
|                                       | RMB'000                             | RMB'000       |
| Tax charge comprises:                 |                                     |               |
| PRC Enterprise Income Tax             | 26,925                              | 47,696        |
| Hong Kong Profits Tax                 | –                                   | –             |
| The US Federal and State Income taxes | 731                                 | (391)         |
| Japan Income Tax                      | –                                   | 204           |
|                                       | <u>27,656</u>                       | <u>47,509</u> |

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

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

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

## 6. DIVIDEND

During the six months ended 30 June 2017, a final dividend of HK\$0.012 per ordinary share from share premium account of the Company in respect of the year ended 31 December 2016 (2016: Nil) was declared to the owners of the Company. The aggregate amount of the final dividend declared during the six months ended 30 June 2017 amounted to HK\$28,827,293 (2016: Nil).

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2017 (2016: Nil).

## 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<br>ended 30 June |                |
|--|-------------------------------------|----------------|
|  | 2017                                | 2016           |
|  | RMB'000                             | RMB'000        |
| Earnings for the purposes of calculating basic earnings per share          | 245,470                             | 236,237        |
| Effect of dilutive potential profit attributable to owners of the Company: |                                     |                |
| Interest on convertible loan notes   | <u>10,224</u>                       | <u>12,484</u>  |
| Earnings for the purpose of diluted earnings per share                     | <u>255,694</u>                      | <u>248,721</u> |

|  | <b>Number of shares</b>            |                             |
|--|------------------------------------|-----------------------------|
|  | <b>2017</b>                        | <b>2016</b>                 |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share   | <b><u>2,391,613,132</u></b>        | <u>2,139,501,783</u>        |
| Effect of dilutive potential ordinary shares:  |                                    |                             |
| Share options  | <b>12,686,027</b>                  | 18,764,108                  |
| Convertible loan notes   | <b><u>103,992,921</u></b>          | <u>181,479,798</u>          |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share | <b><u><u>2,508,292,080</u></u></b> | <u><u>2,339,745,689</u></u> |

The computation of diluted earnings per share for the period ended 30 June 2017 did not assume the exercise of the Company's share options granted on 11 October 2016 and 17 November 2016 since the exercise prices of those share options were higher than the average market price of shares of the Company.

#### **8. TRADE AND OTHER RECEIVABLES**

|   | <b>(Unaudited)</b>                  | <b>(Audited)</b>                        |
|---|-------------------------------------|---|
|   | <b>30 June<br/>2017<br/>RMB'000</b> | <b>31 December<br/>2016<br/>RMB'000</b> |
| Trade receivables                           | <b>2,537,471</b>                    | 1,927,924                               |
| Less: Allowance for doubtful debts          | <b><u>(182,083)</u></b>             | <u>(182,171)</u>                        |
|   | <b>2,355,388</b>                    | 1,745,753                               |
| Trade receivables from related companies    | <u>—</u>                            | <u>—</u>                                |
|   | <b>2,355,388</b>                    | 1,745,753                               |
| Advances to suppliers                       | <b>141,473</b>                      | 72,727                                  |
| Deposits, prepayments and other receivables | <b><u>282,405</u></b>               | <u>304,220</u>                          |
|   | <b><u><u>2,779,266</u></u></b>      | <u><u>2,122,700</u></u>                 |
| Analysed for reporting purposes as:         |                                     |   |
| Non-current assets                          | <b>30,000</b>                       | 30,000                                  |
| Current assets                              | <b><u>2,749,266</u></b>             | <u>2,092,700</u>                        |
|   | <b><u><u>2,779,266</u></u></b>      | <u><u>2,122,700</u></u>                 |

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)<br>30 June<br>2017<br><i>RMB'000</i> | (Audited)<br>31 December<br>2016<br><i>RMB'000</i> |
|----------------------|--|--|
| Within 90 days       | 1,911,570  | 1,602,798  |
| Between 91-180 days  | 295,536  | 94,115   |
| Between 181-365 days | 112,850  | 22,878   |
| Between 1-2 years    | 33,620   | 25,099   |
| Over 2 years         | 1,812  | 863  |
|                      | <u>2,355,388</u>                                 | <u>1,745,753</u>                                   |

The fair value of the Group's trade and other receivables at 30 June 2017 was approximately equal to the corresponding carrying amount.

## 9. TRADE AND OTHER PAYABLES

|                                    | (Unaudited)<br>30 June<br>2017<br><i>RMB'000</i> | (Audited)<br>31 December<br>2016<br><i>RMB'000</i> |
|------------------------------------|--|--|
| Trade payables                     | 515,143  | 552,475  |
| Deposits received from customers   | 46,127   | 17,800   |
| Other payables and accrued charges | 647,596  | 633,568  |
|                                    | <u>1,208,866</u>                                 | <u>1,203,843</u>                                   |

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

|                      | (Unaudited)<br>30 June<br>2017<br><i>RMB'000</i> | (Audited)<br>31 December<br>2016<br><i>RMB'000</i> |
|----------------------|--|--|
| Within 90 days       | 401,778  | 493,523  |
| Between 91-180 days  | 60,456   | 20,484   |
| Between 181-365 days | 20,136   | 18,791   |
| Between 1-2 years    | 15,272   | 10,770   |
| Over 2 years         | 17,501   | 8,907  |
|                      | <u>515,143</u>                                   | <u>552,475</u>                                     |

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 2017 was approximately equal to the corresponding carrying amount.

## 10. BORROWINGS

|  | (Unaudited)<br>30 June<br>2017<br><i>RMB'000</i> | (Audited)<br>31 December<br>2016<br><i>RMB'000</i> |
|--|--|--|
| Unsecured bank loans ( <i>Note (i)</i> )   | 853,615  | 925,291  |
| Secured bank loans ( <i>Note (ii)</i> )  | <u>434,367</u>                                   | <u>191,657</u>                                     |
|  | <u><b>1,287,982</b></u>                          | <u><b>1,116,948</b></u>                            |
|  | (Unaudited)<br>30 June<br>2017<br><i>RMB'000</i> | (Audited)<br>31 December<br>2016<br><i>RMB'000</i> |
| Carrying amount repayable:   |  |  |
| Within one year  | 1,160,682  | 922,452  |
| More than one year, but not exceeding five years   | <u>127,300</u>                                   | <u>194,496</u>                                     |
|  | <b>1,287,982</b>                                 | 1,116,948  |
| Carrying amount of bank loans that are repayable on demand due to breach of loan covenants | –  | –  |
| Less: Amounts due within one year shown under current liabilities                          | <u>(1,160,682)</u>                               | <u>(922,452)</u>                                   |
| Amounts shown under non-current liabilities  | <u><b>127,300</b></u>                            | <u><b>194,496</b></u>                              |

|  | <b>(Unaudited)</b> | (Audited)      |
|--|--------------------|----------------|
|  | <b>30 June</b>     | 31 December    |
|  | <b>2017</b>        | 2016           |
|  | <b>RMB'000</b>     | <b>RMB'000</b> |
| Total borrowings                                 |                    |                |
| At floating interest rates ( <i>Note (iii)</i> ) | <b>878,297</b>     | 715,283        |
| At fixed interest rates ( <i>Note (iv)</i> )     | <b>409,685</b>     | 401,665        |
|  | <b>1,287,982</b>   | 1,116,948      |
|  | <b>(Unaudited)</b> | (Audited)      |
|  | <b>30 June</b>     | 31 December    |
|  | <b>2017</b>        | 2016           |
|  | <b>RMB'000</b>     | <b>RMB'000</b> |
| Analysis of borrowings by currency               |                    |                |
| Denominated in RMB                               | <b>1,287,982</b>   | 1,116,948      |

*Notes:*

- (i) Guaranteed by the Company and certain subsidiaries of the Company.
- (ii) Trade and bill receivables with a net carrying value of approximately RMB276,916,960 (2016: RMB30,857,000) are pledged to secure certain bank loans granted to the Group. The remaining bank loans amount to RMB157,450,000 (2016: RMB160,800,000) are secured by the land use right and construction in progress of the Group.
- (iii) Interests on RMB borrowings are charged at interest rates announced by the People's Bank of China. The average interest rate during the first half year of 2017 is 4.63% (2016: 5.37%) per annum.
- (iv) Interests on fixed rates borrowings are charged at interest rates ranged from 4.35% to 6.31% (2016: 4.35% to 6.31%).



## 11. SHARE CAPITAL

### Ordinary shares of HK\$0.05 each:

|   |                             | Number<br>of shares                       | Nominal<br>amount<br><i>HK\$</i>   |
|---|-----------------------------|---|--|
| <b>Authorised</b>   |                             |   |  |
| At 1 January 2016, 30 June 2016, 1 January 2017<br>and 30 June 2017 |                             | 4,000,000,000                             | 200,000,000  |
|   |                             | <u>4,000,000,000</u>                      | <u>200,000,000</u>   |
|   |                             |   | <b>Amount<br/>shown in the<br/>financial<br/>statements<br/><i>RMB'000</i></b> |
|   | <b>Number of<br/>shares</b> | <b>Nominal<br/>amount<br/><i>HK\$</i></b> | <b><i>RMB'000</i></b>  |
| <b>Issued and fully paid</b>  |                             |   |  |
| At 31 December 2015 and<br>1 January 2016                           | 2,066,808,004               | 103,340,401                               | 95,645   |
| Exercise of options   | 7,430,000                   | 371,500                                   | 310  |
| Issue of subscription shares  | <u>85,109,515</u>           | <u>4,255,475</u>                          | <u>3,602</u>   |
| At 30 June 2016   | <u>2,159,347,519</u>        | <u>107,967,376</u>                        | <u>99,557</u>  |
| Exercise of options   | 24,450,000                  | 1,222,500                                 | 1,055  |
| Conversion of convertible loan notes                                | <u>130,376,917</u>          | <u>6,518,846</u>                          | <u>5,775</u>   |
| At 31 December 2016 and<br>1 January 2017                           | 2,314,174,436               | 115,708,722                               | 106,387  |
| Exercise of options   | <u>88,100,000</u>           | <u>4,405,000</u>                          | <u>3,896</u>   |
| At 30 June 2017   | <u>2,402,274,436</u>        | <u>120,113,722</u>                        | <u>110,283</u>   |

## 12. CAPITAL COMMITMENTS

|   | (Unaudited)<br><b>30 June<br/>2017</b><br><i>RMB'000</i> | (Audited)<br>31 December<br>2016<br><i>RMB'000</i> |
|---|--|--|
| Capital expenditure contracted for but not provided in the<br>consolidated financial statements |  |  |
| – acquisition of property, plant and equipment  | –  | 3,421  |
| – investment in an entity accounted for using equity method                                     | <u>89,100</u>  | <u>89,100</u>                                      |
|   | <u>89,100</u>  | <u>92,521</u>                                      |

### 13. RELATED PARTY TRANSACTIONS

During the relevant periods in 2016 and 2017, the Group had the following transactions with the following related parties:

|                                      |             | <b>For the six month<br/>ended 30 June</b> |                |
|--------------------------------------|-------------|--|----------------|
|                                      |             | <b>2017</b>                                | <b>2016</b>    |
|                                      | <i>Note</i> | <i>RMB'000</i>                             | <i>RMB'000</i> |
| Provision of IT outsourcing services |             |  |                |
| – Huawei Group                       | (a)         | –  | 354,517        |

*Note:*

- (a) Huawei was the non-controlling owner of Chinasoft International Technology Service Co., Limited (“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. And Huawei Group ceased to be a related party of the Group since 25 February 2016 after it disposed its entire equity interest in CSITS.

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.

### 14. EMPLOYEE AND OTHER INFORMATION

The remuneration for the employees of the Group amounted to approximately RMB2,987,106,000, including the directors’ emoluments of approximately RMB5,487,000 during the six months ended 30 June 2017 (2016: approximately RMB2,069,392,000, including the directors’ emoluments of approximately RMB7,605,000). The increase in employee remuneration resulted from the increase in the number of employees from 38,718 to 50,356.

The amortisation charge of intangible assets and depreciation during the six months ended 30 June 2017 of the Group amounted to approximately RMB41,759,000 (2016: RMB41,479,000) and approximately RMB43,698,000 (2016: RMB23,300,000), respectively.

## **THE CODE ON CORPORATE GOVERNANCE PRACTICES**

During the six months ended 30 June 2017, 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 (the “CG Code”) as set out in Appendix 14 to the Listing Rules 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 CG Code from 1 January 2017 to 30 June 2017, except that (i) the Chairman of the Board was not able to attend the annual general meeting of the Company held on 18 May 2017 (the “2016 AGM”) (deviated from code provision E.1.2 of the CG Code) due to other business commitment. However, another executive Director Dr. Tang Zhenming attended and acted as the Chairman of the 2016 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 of the CG Code). Dr. Chen Yuhong currently assumes the roles of both the Chairman and the Chief Executive Office of the Company. The Board believes that by holding both roles, Dr. Chen will be able to provide the Group with strong and consistent leadership, and it allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies of the Group. As such, the structure is beneficial to the business prospects of the Group.

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

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in Appendix 10 of the Listing Rule relating to dealings in securities. Having made specific enquiry of all the Directors, the Directors complied with the Model Code regarding securities transactions by the Directors throughout the year ended 30 June 2017.

## DIRECTORS' INTERESTS IN SHARES

As 30 June 2017, 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 the Shares of the Company

| Name          | Capacity  | Number of shares | Number of issued ordinary shares held | Number of underlying shares held pursuant to share options | Total approximate % of the issued share capital as at 30 June 2017 |
|---------------|---|------------------|---------------------------------------|--|--|
| Chen Yuhong   | Beneficial owner, through controlled corporation, founder of discretionary trust and beneficiary of trust | 264,392,861      | 264,392,861                           | –  | 11.01%   |
| Tang Zhenming | Beneficial owner and beneficiary of trust   | 11,827,765       | 11,827,765                            | –  | 0.49%  |
| Zhang Yaqin   | Beneficial owner  | 3,000,000        | –                                     | 3,000,000  | 0.01%  |

### Options to subscribe for Shares

| Name of Director | Exercise Price (HK\$) | No. of share options outstanding as at 1 January 2017 | No. of share options exercised during the period | No. of share options outstanding as at 30 June 2017 | Percentage of total issued ordinary share capital of the Company as at 30 June 2017 | No of underlying ordinary shares interested in | Percentage of total issued ordinary share capital of the Company as at 30 June 2017 | Note |
|------------------|-----------------------|---|--|---|---|--|---|------|
| Chen Yuhong      | 2.15                  | 10,000,000  | (10,000,000)                                     | –   | –   | –  | –   | (2)  |
| Tang Zhenming    | 1.78                  | 2,000,000   | (2,000,000)                                      | –   | –   | –  | –   | (1)  |
|                  | 2.15                  | 10,000,000  | (10,000,000)                                     | –   | –   | –  | –   | (2)  |
| Zhang Yaqin      | 3.27                  | 3,000,000   | –  | 3,000,000   | 0.14%   | 3,000,000                                      | 0.14%   | (3)  |

Save as disclosed above, as at 30 June 2017, none of the Directors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

*Notes:*

- (1) These share options were offered on 10 April 2007 under the share option scheme of the Company adopted on 2 June 2003 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:

| <b>Exercisable Period</b> |               | <b>Number of share options exercisable</b>       |
|---------------------------|---------------|--|
| <b>Commencing</b>         | <b>Ending</b> |  |
| 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 |

- (2) These share options were offered on 23 January 2014 under the share option scheme of the Company adopted on 20 May 2013 and accepted on 31 January 2014. The share options are exercisable for a period of 3 years from the date of offer subject to the following conditions:

| <b>Exercisable Period</b> |               | <b>Number of share options exercisable</b>       |
|---------------------------|---------------|--|
| <b>Commencing</b>         | <b>Ending</b> |  |
| 23/01/2014                | 22/01/2017    | 30% of the total number of share options granted |
| 23/01/2015                | 22/01/2017    | 30% of the total number of share options granted |
| 23/01/2016                | 22/01/2017    | 40% of the total number of share options granted |

This batch of share options are subject to a vesting condition that the market capitalization of the Company shall reach HK\$10 billion or higher for 5 consecutive trading days during the exercise period.

- (3) These share options were offered on 16 December 2015 under the share option scheme of the Company adopted on 20 May 2013 and accepted on 31 December 2015. The share options are exercisable for a period of 3 years from the date of offer subject to the following conditions:

| <b>Exercisable Period</b> |               | <b>Number of share options exercisable</b>       |
|---------------------------|---------------|--|
| <b>Commencing</b>         | <b>Ending</b> |  |
| 16/12/2015                | 15/12/2018    | 30% of the total number of share options granted |
| 16/12/2016                | 15/12/2018    | 30% of the total number of share options granted |
| 16/12/2017                | 15/12/2018    | 40% of the total number of share options granted |

## **SHARE OPTION SCHEME**

As at 30 June 2017, there were share options to subscribe for an aggregate of 253,000,000 Shares granted to certain Directors and employees of the Group pursuant to the Share Option Scheme and the New Share Option Scheme outstanding, representing 10.53% of the total issued ordinary share capital of the Company as at 30 June 2017.

During the six months ended 30 June 2017, an aggregate of 88,100,000 share options were exercised, 5,000 share options were lapsed and 85,000,000 share options has been granted under the Share Option Scheme and the New Share Option Scheme.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Save as disclosed above, during the six months ended 30 June 2017 none of the Directors was granted options to subscribe for shares of the Company and as at 30 June 2017 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 2017, 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 2017.

## SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors, as at 30 June 2017, the following persons (not being a Director or chief executive of the Company) had interests or short position 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/short positions in Shares

| Name  | Nature of interest                          | Approximate number of Shares | Approximate percentage of total issued ordinary share of the Company | Approximate percentage of total issued share* of the Company |
|---|---|------------------------------|--|--|
| Rainbow Faith Limited ( <i>Note 1</i> )                 | Trustee                                     | 149,430,690 (L)              | 6.22%  | 5.96%  |
| Prime Partners Development Limited ( <i>Note 2</i> )    | Beneficial interest                         | 139,072,725 (L)              | 5.79%  | 5.55%  |
| UBS Group AG ( <i>Note 3</i> )                          | Person having a security interest in shares | 2,599,000 (L)                | 0.11%  | 0.10%  |
|   | Interest of controlled corporations         | 117,709,924 (L)              | 4.90%  | 4.70%  |
|   | Interest of controlled corporations         | 17,724,304 (S)               | 0.74%  | 0.71%  |
| UBS AG ( <i>Note 3</i> )                                | Beneficial interest                         | 15,273,924 (L)               | 0.64%  | 0.61%  |
|   | Beneficial interest                         | 16,966,304 (S)               | 0.71%  | 0.68%  |
| UBS Asset Management (Hong Kong) Ltd ( <i>Note 3</i> )  | Beneficial interest                         | 34,406,000 (L)               | 1.43%  | 1.37%  |
| UBS Asset Management Trust Company ( <i>Note 3</i> )    | Beneficial interest                         | 90,000 (L)                   | 0.00%  | 0.00%  |
| UBS Fund Management (Luxembourg) S.A. ( <i>Note 3</i> ) | Beneficial interest                         | 67,142,000 (L)               | 2.79%  | 2.68%  |
| UBS Fund Management (Switzerland) AG ( <i>Note 3</i> )  | Beneficial interest                         | 40,000 (L)                   | 0.00%  | 0.00%  |
| UBS Securities LLC ( <i>Note 3</i> )                    | Beneficial interest                         | 758,000 (L)                  | 0.03%  | 0.03%  |
|   | Beneficial interest                         | 758,000 (S)                  | 0.03%  | 0.03%  |

\* The total number of issued share consists of 2,402,274,436 Ordinary Shares and Convertible Notes which could be converted into 103,992,922 Ordinary Shares.

Abbreviations: "L" stands for long position  
"S" stands for short position

*Note:*

1. Rainbow Faith Limited is deemed to be interested in 149,430,690 shares in the Company as being a trustee.
2. Dr. Chen Yuhong is deemed to be interested in 139,072,725 Ordinary Shares and through Prime Partners Development Limited, which is wholly owned by Dr. Chen Yuhong.
3. UBS AG, UBS Asset Management (Hong Kong) Ltd, UBS Asset Management Trust Company, UBS Fund Management (Luxembourg) S.A., UBS Fund Management (Switzerland) AG and UBS Securities LLC are the wholly-owned subsidiaries of UBS Group AG. Accordingly, UBS Group AG is deemed to be interested in the long positions of 120,308,924 shares in the Company and the short positions of 17,724,304 shares in the Company held by these companies as disclosed above.

Save as disclosed above, as at 30 June 2017, 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 2017, none of the Directors or the management shareholders of the Company and their respective associates (as defined under the Listing Rules) had any interest in a business which competed or might compete with the business of the Group.

### **AUDIT COMMITTEE**

The Company established an audit committee on 2 June 2003 and amended its written terms of reference in compliance with the requirements as set out in the Code on Corporate Governance Practices of the Listing Rules. The primary duties of the audit committee are to review and to supervise the financial reporting process and internal control system of the Group. The audit committee comprises of three independent non-executive directors, namely Mr. Zeng Zhijie, Dr. Leung Wing Yin Patrick and Dr. Lai Guanrong. 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 2017.

### **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 2017.



## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company has maintained sufficient public float for the six months ended 30 June 2017.

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

22 August 2017, Hong Kong

*As at the date of this announcement, the Board comprises two executive Directors, namely Dr. Chen Yuhong (Chairman and Chief Executive Officer) and Dr. Tang Zhenming, three non-executive Directors, namely Dr. Zhang Yaqin, Mr. Samuel Thomas Goodner and Mr. Gao Liangyu and three independent non-executive Directors, namely Mr. Zeng Zhijie, Dr. Leung Wing Yin and Dr. Lai Guanrong.*

\* *For identification purposes only*