INTERIM REPORT 2013

中軟國際

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

Results for the first half of 2013

Income statement highlights	For the six months ended 30 June (unaudited) 2013 RMB'000	(unaudited) 2012 RMB'000	% Increase (over the same period last year)
Revenue	**1,371,671**	1,173,504	16.9%
Revenue from service	**1,346,810**	1,110,874	21.2%
Gross profit	**407,240**	360,700	12.9%
Profit for the period	**80,698**	65,437	23.3%
Profit attributable to Owners of the Group	**72,309**	59,274	21.1%
EBITDA	**156,618**	141,776	10.5%
Basic EPS (RMB cents)	**4.20**	3.65	15.1%

Statement of financial position highlights	(unaudited) 30 June 2013 RMB'000	(audited) 31 December 2012 RMB'000	% Increase
Total assets	**3,715,666**	3,442,350	7.9%
Total liabilities	**(1,478,764)**	(1,380,067)	7.2%
Total equity	**2,236,902**	2,062,283	8.5%

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

Business Overview

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 include ITO, BPO, EPO, and more. The Group has always adhered to the policy of technology innovation with its independent intellectual property rights as the core, and with more than 200 software copyrights and patents, such as ResourceOne (R1), the SOA middleware platform software that provides application support for industry vertical solutions, and TopLink, the software platform product that supports large scale-data exchange. The Group's customers, which are located in various countries including as 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, high technology and so on. Based on the fast growing Greater China market and the abundant human resources as its competitive advantages, the Group customises its products to the specifications of each individual client, and provide professional and differentiated IT services to help its customers achieve greater management and business efficiency.

Business Approach

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

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

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 Company into a positive cycle of continuous improvement. The presence of our professional Services Group is also the key differentiator that separates Chinasoft International from its peers. The business covers four 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.

Our Services

The Group has over the years consistently adopted 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, adhering to the philosophy to focus on the industry, 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 and 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, i.e. ResourceOne and TopLink/TSA+, and integrates the concept that "Products are services and services are products" into the whole structure of these products, and which also allow the Group to find a balance between stability and changing market demand. The Group has kept investing and improving its software platform products 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 sits 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, so as to more effectively improve the professional level of services and to achieve the business objective of growing with customers. The strategy consulting that the Group provides has specific services including industrial transformation consulting, regional economic consulting, merger and reorganizing consulting, strategy and transformation consulting, group management and control consulting, and organisational design consulting. The business consulting that the Group provides has the specific services including marketing management consulting, e-commerce transition consulting, supply chain management consulting, lean production consulting, logistics management consulting, financial management consulting, risk management consulting, business process consulting, and data analysis consulting.

The Group's IT consulting business focuses on helping clients in obtaining greater value through the interaction between drives of business and IT requirements. The Group's consulting products and services are 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. The specific services the Group provides include information technology planning consulting, IT operation and maintenance consulting, information security consulting, and supervision and management of information technology construction.

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

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

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

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

The main solutions and products that the Group provides include:

Category	Solutions and Products	
Government Industry Solutions 政府與大型企業行業解決方案	Auditing and Supervision Management	審計和監督管理
	Social Insurance and Welfare Management	社會保險與福利管理
	State-owned Assets Management	國有資產管理
	Food and Drug Administration Management	食品與藥品管理
	Meteorology and Scourge Warning	氣象災害預警
	Execution Permission Management	行政許可管理
	Government Decision Support System	政府決策支持系統
	Online Applications and Approvals	網上申報與審批
	Office Automation	辦公自動化
	Citizen Portal	公眾門戶
Manufacturing and Distribution Industry Solutions 製造與流通行業解決方案	Enterprise Resource Planning (ERP)	企業資源規劃
	Customer Relationship Management (CRM)	客戶關係管理
	Manufacturing Execution System (MES)	製造執行系統
	Logistics Execution System (LES)	物流執行系統
	Safety Production Management	安全生產管理
	Warehouse Management System (WMS)	倉儲管理系統
	Enterprise Application Integration (EAI)	企業應用集成
	Goods Tracking and Tracing	產品數碼跟踪

Category	Solutions and Products	
Financial Industry Solutions 金融行業解決方案	Payment and Clearing System	支付與清算系統
	Collection System for Credit Consumption Invoice	收單業務系統
	Credit Management System	信貸業務系統
	Bank Card System	銀行卡系統
	Credit Card Management System	信用卡業務系統
	Risk Control System	風險控制系統
	E-Marketing	電子營銷
	Supply Chain Finance	供應鏈融資
	Insurance Business System	保險業務系統
	Insurance E-Commerce System	保險電子商務系統
	Insurance Exhibition Industry Support System	保險展業支持系統
	Reinsurance Business System	再保險業務系統
	Image Management System	影像管理系統
	Insurance Sales Management System	保險銷售管理系統
	Insurance Task Quality Analysis & Monitoring System	保險作業質量分析和監管系統
	Insurance Audit System	保險稽核系統
Transportation Industry Solutions 交通行業解決方案	Smart Card	一卡通
	Automatic Fare Collection (AFC) System	自動售檢票系統
	AFC Clearing Center (ACC)	自動售檢票清算中心
	Intelligent Transportation	智能交通
	Airport Operating Management System	機場運營管理系統
Telecom Industry Solutions 電信行業解決方案	Mobile Payment	移動支付
	Mobile IM	移動即時通訊
	Mobile SNS	移動社區
	Enterprise Mini Blog	企業微博
	Mobile Application Store	移動應用商城
	Push to Talk	一鍵通（手機對講）
	Embedded Browser	嵌入式瀏覽器
	Mobile Advertisement Platform	移動廣告平台
Cross-industry Solutions 通用解決方案	Customer Relationship Management (CRM)	客戶關係管理
	Office Automation (OA)	辦公自動化
	Business Intelligence (BI)	商業智能
	Portal Website Sets	門戶網站群
	Radio Frequency Identification (RFID)	射頻識別
	Geographic Information System (GIS)	地理信息系統
	Electronic Ticket System	電子票務系統

Category	Solutions and Products	
Electric Power Solutions 電力解決方案	Power Materials Management Solutions	電力物資管理解決方案
	Power Marketing Management Solutions	電力營銷管理解決方案
Middleware/ Platform Software 中間件／平臺產品	ResourceOne Series Products	R1系列產品
	TopLink/TSA+ Platform	TopLink/TSA+平台

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, which together with other services cover the entire life cycle of information systems, ensuring smooth construction and operation of medium to large information systems.

Business Description and Progress

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. Overall the Group applied for and obtained more than 10 software copyrights and patent technologies on the basis of its strong research and development capabilities. 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 five consecutive years. The Group provides its government customers with solutions such as auditing and supervision management (an electronic supervision solution with the most domestic users and the most extensive application), social insurance and welfare management, state owned assets management, food and drug administration management, meteorology and scourge warning, execution permission management, government decision support system, online applications and approvals, office automation, citizen portals, etc. The Group has many large customers, including the Ministry of Agriculture, the State Food and Drug Administration, the Ministry of Human Resources and Social Security, the State-owned Assets Supervision & Administration Commission (SASAC), the Ministry of Finance, the Ministry of Housing and Urban-Rural Development, the Ministry of Environmental Protection, the Ministry of Transport, the General Administration of Quality Supervision, Inspection and Quarantine, the General Administration of Press and Publication, the China Meteorological Administration, the Civil Aviation Administration of China (CAAC), and the State Administration of Foreign Exchange, and is the only strategic partner and overall solution provider of the National Audit Office.

During the reporting period, the Group maintained its leading position in the auditing industry and promoted its mature audit solutions all across the nation. Meanwhile, the Group captured first-mover advantages through completion of the local projects of Golden Auditing Project III. By promoting the nationwide introduction and implementation of Phase I of Early Warning System for National Public Emergencies, the Group established customer bases for the construction of Phase II and expanded local channels. The Execution Permission and Approval System of Environmental Protection Bureau was completed and implemented in a province in Central China, and the Group is planning to promote the System in other provinces and cities. In smart city construction, through close cooperation with Alibaba Cloud, the Group became a cloud integration service provider and undertook the consultation, planning, research, overall design and implementation for the intelligent government administration cloud project in Zhejiang Province. By virtue of its extensive experience in large-scale projects and accurate understanding of customers' needs, the Group has stepped up and became a leading service provider of cloud models.

2. **Manufacturing and Circulation**

Leveraging on the Group's in-depth understanding of manufacturing and circulation industry and years of accumulation in the 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), to provide customers with developed "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, occupying a leading position. 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. It also integrates the application services of all providers as an industry platform. The Group provides its customers in the manufacturing industry with application software and solutions development, integration, and operation and maintenance services such as ERP, CRM, Manufacturing Execution Systems (MES), Logistics Execution Systems (LES), Safety Production Management, Enterprise Application Integration, Warehouse Management System, and Goods Tracking and Tracing. The Group's business covers tobacco, machinery, automobile, steel, pharmaceutical, printing, etc., and main clients include China National Tobacco Corporation, SinoSteel, Pfizer Pharmaceuticals Limited, China Banknote Printing and Minting Corporation and Harbin Electric Machinery Company Limited.

During the reporting period, the Group maintained its dominant position and influences in the tobacco industry. It won the bid for the industry data centre, which, being a key project for the industry, was an important expansion of large data technology for traditional businesses, and its professional data application capabilities further received customers' recognitions and gratifications. The Group also maintained its market leading position in MES (Manufacturing Execution System) sector, and was awarded a number of projects including Hubei China Tobacco. The Group won the bid for "E-home Terminal System" of a tobacco company in a province and its subordinate local companies, achieving a new breakthrough in the circulation marketing sector, with a high promotional value as a typical example. The "Commercial Prepaid Card Platform of

Suning" undertaken by the Group was successfully launched, which provides a series of service functions for business operators and merchants in relation to issuance of cards by themselves, such as card making, card issuance, clearing and settlement, and is considered as a successful expansion of the application of financial bank solutions in the pan-circulation industry. The Group focused on exploring large customers. In particular, it was awarded an information platform project for a large state-owned enterprise and entered into a strategic cooperation agreement with a well-known mining group to develop IT business for the mining industry of the country.

3. **Banking and Financial Services**

The Group has had 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. The Group offers customers in the finance industry solutions such as payment and clearing system, credit management system, bank card system, credit card management system, risk control system, electronic marketing, business intelligence, and professional financial IT services, while the Group possessed unique competitive advantage in several aspects such as bank card business and the peripheral applications, online payment, risk control, credit financing and inter-bank linkage etc. According to IDC market research, the Group was ranked among the top five for many years in the payment and clearing solutions market of the banking industry, and had been ranked first in bank card system market in 2010. The Group's major customers include China Construction Bank, Agricultural Bank of China, Postal Savings Bank, Bank of Communications, China CITIC Bank, China Guangfa Bank, China Minsheng Bank, Ping An Bank, Shanghai Pudong Development Bank, Industrial Bank, many joint-stock commercial banks, city commercial banks, and foreign financial institutions in China.

During the reporting period, leveraging on its advantageous position in respect of bank cards, the Group strengthened its efforts in various aspects by initiating industry-chain competitions. For financial IC cards, the Group entered into agreements with a number of joint stock banks and tens of city commercial banks, maintaining the largest market share in the sector. In payment and clearance sector, the Group continued to strengthen its top three position by contracting with tens of foreign banks, joint stock banks and city commercial banks. Regarding credit and financing, the Group entered into agreements with quality customers including a number of joint stock banks in respect of its supply chain solutions, and maintained the top position in the supply chain financial market. Additionally, the Group won bids of and contracted with material customers including HSBC Software, and adopted a customized service model. It accumulated invaluable experience of serving large customers in the industry, hence achieving breakthroughs in its operation models.

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, by which it has penetrated into the core business and high-end business and become a key market player in the insurance and securities industry to help the customers to secure more competitive advantages.

During the reporting period, the Group contracted with a branch of a large state-owned property and casualty insurance company for an integrated business intelligence (BI) platform project, receiving further recognition in the business intelligence sector. The Group also successfully entered the insurance e-commerce sector, with the e-commerce project of a life-insurance company that was the first C to B insurance e-commerce platform construction project in the industry, and the e-commerce project of a state-owned insurance company was the first insurance e-commerce data mining project in the industry. The core competitiveness in respect of insurance ESB and insurance securities BPM was established. The Group also successfully contracted with SD&C Shanghai branch for its core system maintenance, which represented the Group's involvement in the core business areas of securities industry.

5. **Telecommunications**

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

During the reporting period, the Group won the bid for wireless products of Fetion business development and support services of China Mobile, to provide business construction and support for Mobile Fetion and Fetion HD products for China Mobile. Leveraging on its strong product development capability and numerable practices in the mobile internet field, and through the active participation in Fetion business cooperation project, the Group further strengthened its strategic partnership with China Mobile, and successfully became a core supplier of mobile internet operations. Through the in-depth cooperations with Alibaba Group in respect of cloud computing, data transfer, on-line expansion and mobile terminal development and tests, the collaboration of scale with Ali Group has stepped into a new stage.

6. **Public Service**

After years of accumulating professional experiences, the Group is in a leading position in the public transportation areas such as public transport, rail transit and airport management, 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. Currently, these solutions and services have been successfully exported to other countries. The Group's major customers include China UnionPay, the payment company of China Telecom, Shanghai Metro, Tianjin Metro, Guangzhou Metro, Shenzhen Metro, Suzhou Rail Transit, Chongqing Rail Transit, Ningbo Rail Transit, Wuxi Metro and Shanghai Pudong Airport etc.

During the reporting period, the Group maintained a stable growth in respect of city smart card, and was awarded a project of a major city in Southern China, hence expanded its market share in respect of city smart card and reinforced the Group's leading position in the business segment. The Automatic Fare Collection System for Bus Rapid Transit project in an eastern coastal city progressed steadily, the solutions and experience from which are applicable to various provinces and developed places and cities, and the project has promising future and great potential. PBOC2.0 achieved significant breakthroughs in respect of rail transit. The Group successfully contracted with a bank for a PBOC2.0 upgrade project for mobile subways, which was an important expansion of the Group's traditional superior business in mobile internet sector, and the solutions are of great promotional value. The Group also contracted for a national unified payment platform for an operator, for a provincial integrated payment business platform for an operator, and a personal account project for e-commerce companies for an operator, achieving significant growth in mobile operators' business. In addition, the Group continued to seek for quality third party payment clients and worked with a super-large western city to engage in billing and integrated payment handling business based on cloud computing.

7. **Electricity Distribution**

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

During the reporting period, in the electric power marketing field, the Group completed the acquisition and integration of Along Grid, achieving significant progress in the electric power marketing business. The Group also further strengthened its market position in the sector by leveraging on its service capabilities established through acquisitions. In the electric power materials management field, the Group established end-to-end service capabilities from consultation, research and development and implementation to maintenance by way of providing integrated storage platform solutions. The pilot web-based provincial level materials storage IT construction project was successfully accepted and became a model in the industry, which has established foundations for subsequent promotion of material storage IT construction in the industry.

Outsourcing Services Business

Our Services

The Group is committed to provide global customers with complete, flexible, and scalable high quality IT outsourcing services. With experienced management and technology specialists as well as a variety of delivery models, the Group is able to adapt to the changing business and technologies. At the same time, with the help of its Excellence Training Centers (ETCs), the Group can integrate the needs for skilled consultants across customers of various industries, so as to provide customers with high-quality, low cost outsourcing services. The Group's outsourcing services typically take the 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, save development costs, thus gaining the time advantage in marketing their products.

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

2. **Application Development and Maintenance**

To specific customers the Group offers application development and management services such as application software development, system maintenance and system optimisation, based on the needs of industry customers. The Group's ADM services were designed to help customers realise the scientific management of 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/server, internet and mobile internet, as well as a variety of platform software programs including various mainframe system, Windows series, Linux/Unix and Android, Symbian, IPhone OS, etc. The Group can deliver the ADM services in its Centers of Excellence (COE) or at customer sites.

3. **Enterprise Application Service**

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

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

4. **BPO, EPO and KPO**

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

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

Business Description and Progress

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

During the reporting period, the joint venture with Huawei achieved significant progress in its capability construction. Based on the capability of independent offshore delivery, it actively established ability to deliver to customers more rapidly with higher quality at lower cost, and delivered more projects independently. By optimizing organizational structure and rationalizing personnel deployment, the personnel utilization efficiency was improved. Through IT platform construction for human resources management, financial management and project management, the joint venture has laid a solid foundation for further enhancement of its operating ability in the future.

During the reporting period, the strategic partnership with Microsoft was deepened. As the most valuable supplier of Microsoft in the world, the Company also became its preferred supplier for MCS (Microsoft Consulting Services) in China. The Company obtained COPC Customer Operations Performance Center certification, providing recognized quality and process guarantee, and providing Microsoft with global technical supports. Meanwhile, for the cloud computing aspect, the Company set up Azure workshop and SharePoint workshop, and the cooperation with Microsoft advanced into a more strategic stage, i.e. Chinese cloud computing market expansion, which laid a foundation for joint expansion of cloud computing business in China.

During the reporting period, the Group achieved breakthroughs in fund sector through collaboration with more than ten companies including ChinaAMC, GF Fund, China Merchants Fund, Huashang Fund, Pingan Fund and Harvest Fund, establishing a leading position in the industry. Its business for Pingan Bank achieved a breakthrough in scale and became the pacesetter for win-win collaboration with customers in the sector. For telecommunications LTE+ sector, backed by its core customers, Datang and TD Tech, the Group continued its penetration in 4G technology related aspects, including space information, cloud computing, internet of things, mobile internet and next generation internet to achieve industry chain breakthroughs. For e-commerce logistics, through close cooperation with SF Express Group in respect of air transport, payment and platforms, the Group provided support to SF Express' storage, circulation and distribution business, and would cover the logistics system of SF Express in full, thus achieving expansion in logistics industry.

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- to high-end IT training. Through cooperation with colleges and universities, practical training based on real positions and projects are provided for college students with majors in computer sciences or other related areas. Practical training courses for these prospective employees adopt the 5R (Real Working Environment, Real Project Managers, Real Training Projects, Real Work Pressure, Real Job Opportunities) curriculum as the platform, including practical training in technical projects and professional quality training, striving to turn the trainees into practical IT talents through tests and assessments in the shortest possible time. So far, the Group has established training centers in Beijing, Tianjin, Dalian, Changsha, Wuxi, Chongqing, Xiamen, and Nanjing.

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

During the reporting period, the Group signed on with 2 additional colleges (accumulative total of 64), of which 2 institutes/professional colleges were jointly built (accumulative total of 46); With the approval from the Ministry of Education, the Group established an " 'Undergraduate Education Project' Students Practice Education base for local colleges and universities" jointly with four universities including Jishou University, which is a single project that has the largest number of schools approved. Regarding the internet of things and mobile internet, the Group started collaboration with additional eight universities (accumulative total of 25) including Changsha University of Science in respect of laboratories construction, additional profession approval and jointly-built projects. 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.

Competition and Core Strength

1. **Highly Competitive Industry Experience**

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

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

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

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. Fully leveraging the industry knowledge and experiences gained from serving its global customers, the Group also achieves its business development in domestic market, while helping overseas customers to enter the market in China. Through the enhanced interaction of markets at home and abroad, the Group also increases the rate of successful contract signing and its capabilities of industry service, further consolidating its relationship with customers, leading to strategic partnerships with a variety of customers.

4. **Strengths in Technology Innovations**

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

Significant progress has been achieved for R1 in respect of cloud computing. Through the cooperation with AliCoud to jointly develop PaaS platform, both parties will work together to embed R1 products (including FramePortal, SOA Suite and BizFoundation) in Ali OS, and will provide 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 overall integration using the R1 platform can ensure success and good results of the construction of an entire large engineering system.

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

As of 30 June 2013, the Group had 18,612 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 400 universities and educational institutions, with its ETCs established in Beijing, Tianjin, Dalian, Changsha, Wuxi, Chongqing, Xiamen, Nanjing, and Xi' an. The Group also developed practical training courses customised to the specifics of the Group's business department. The business department can participate in course design, process tracking and evaluation, select high-quality students from the large training resource pool to ensure a steady stream of practical talent supply.

6. **A Win-Win strategic cooperation**

The Group established a comprehensive cooperation on various aspects, such as investment and business, with a number of world-class strategic partners. This has allowed the partners to share client resources and finally achieve a win-win situation. In the middle of 2011, Legend Group's Hony Capital became a substantial shareholder of the Group. As a major information technology service producer 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 company in 2012, aiming at building a business process and IT outsourcing service company that will get a foothold in the PRC and serve the globe.

Business Strategies

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

1. **Focus on Future High-Growth Areas and Continued to Increase Revenue.**

Develop key directions in the "Twelfth Five-Year Plan" to expand service directory, and increase regional coverage. The Group will continue to make investment in the knowledge-intensive services and areas with IT high-growth potentials, such as social security, agriculture, electricity, insurance, high speed rail and large state-owned enterprises, asset forth by the Twelfth Five-Year Plan (2010-2015) of the national economic and social development. The Group's business revenues will continue to grow based on the strengths of its existing business layout. The existing revenue structure will be further optimised and revenues will increase through the construction of the capacities of high-end ITO (e.g. Managed Service) and high-end BPO services, and further development in the Asia Pacific region.

Provide software services to the world through the increase in market shares in telecom industry. According to IDC's "China Telecom IT Solution 2013-2017 Forecast and Analysis", the CAGR of IT solutions market in telecom industry will be 10.4% during 2012-2017. In 2012, the total IT investment amount in the sector totaled RMB43.98 billion, of which the market size for IT solutions reached RMB13.87 billion, and by 2017 the market size of telecom industry in China will reach RMB22.76 billion. Meanwhile, with the rapid development of mobile applications and telecom carriers continuing to increase network bandwidth, telecom value-added services and mobile internet market have brought huge business opportunities. As an IT services provider for China's major telecommunication operators, telecommunication equipment manufacturers and internet companies, the Group focuses on developing telecom value-added services and mobile internet business, in order to obtain the scale growth of revenue in this area. Meanwhile, the Group continues to expand the software outsourcing and solutions business globally in the industry by cooperating with major enterprises that engage in the telecom field.

Increase the research and development and investment in emerging technologies, eg. SMAC (Social, Mobile, Analytics, Cloud) to enhance our core competitiveness. The four emerging technologies, namely social, mobile, analytics and cloud, have been increasingly penetrating into and integrating with each other, which is changing or even subverting the original business model, and will have a profound influence on all walks of life, and will also generate huge market opportunities. The Group will increase the research and development and investment in SMAC technologies, and in combination with the its advantages in traditional industries, will diversify business lines and develop new business models to enhance the core competitiveness. Through joint innovation with customers, the Group will achieve the application of large data, cloud computing, social networking and mobile technologies in the industries to help to continuously improve our customers' competitiveness on the application of new technologies.

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

2. **Explore business potential, strengthen business management, reduce operating costs, and further improve profitability.**

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

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

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

Business Development History

The Group was incorporated in February 2000, headquartered in Beijing. The Group's main business was to provide government customers with system integration and customised software development services. In the same year, the Group introduced its proprietary application support platform ResourceOne V1.0. In 2002, Chinasoft International was awarded as the sole service provider of the e-government construction projects in China's top five Economic and Technological Development Zones (Tianjin, Dalian, Harbin, Beijing and Guangzhou), and 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 listed on the Hong Kong Growth Enterprise Market (GEM) board. 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 multiple vertical industries.

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

In 2007, the Group completed the acquisition and integration of Hinge Global Resources, thus extended its service industries to financial, transportation and other important areas and adding specialised BPO services. Leveraging its comprehensively developed technique advantages and industry position, the Group became a top SOA partner of International Business Machines Corporation (IBM), and together to build up 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, the each with an area of 1000-5000 m^2, with the annual training capacity reaching over 10,000 people. The Group successfully upgraded its listing from the GEM Board to the Main Board of the Hong Kong Stock Exchange in 2008 (Ticket: HKSE.354).

In 2010, Han Consulting joined us, 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 being a world-class leading enterprise with a rapid growth in the information technology services area. In the same year, the Ten-Thousand-Staff Base of the Group is located at Software New City in Xi'an High-Tech Zone. The Group will continue to build a platform for the enterprise and strive for being the industrial integrator in the information technology and software services area in China in the future.

In 2012, the joint venture with Huawei was officially launched, and the performance has shown stable growth trends. Since the market share of Huawei business is higher than other suppliers, initial signs of synergies in the joint venture have emerged. The Group also entered the electricity industry and obtained a breakthrough achievement. Industry service capability has fully upgraded through the acquisition of a vendor of State Grid electric power information service company. As of 2012, the headcount reached 19,000, its business extended to Central America, South America, UK, India, Africa, Southeast Asia and the Middle East. The Group also set up branch companies or offices in more than 20 cities in across the world, including mainland China, Hong Kong, the United States, Japan, and Europe, forming a global delivery capacity.

KEY OPERATING DATA

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

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

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

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

GENERAL OVERVIEW

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

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

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

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

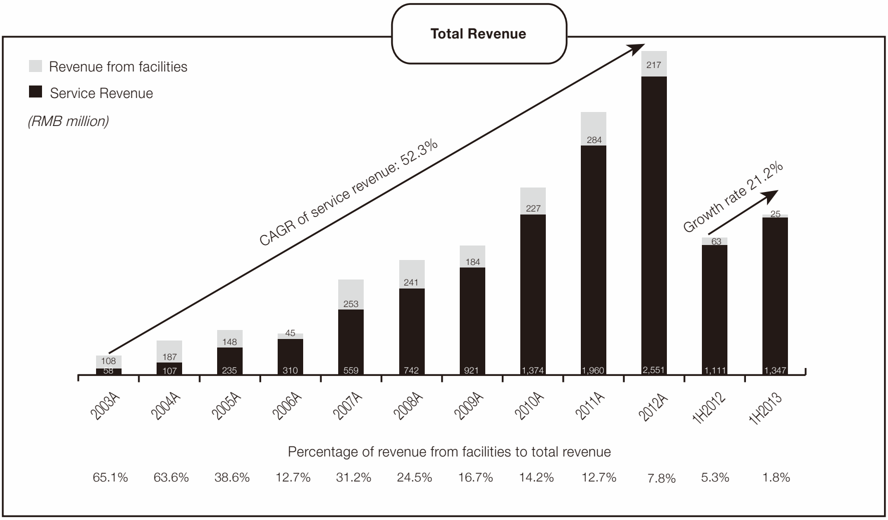
	Revenue			Service Revenue			Results		
RMB'000	First half of 2013	First half of 2012	Growth rate	First half of 2013	First half of 2012	Growth rate	First half of 2013	First half of 2012	Growth rate
Professional Services Business (PSG)	663,952	587,908	12.9%	639,091	525,278	21.7%	67,694	55,134	22.8%
Outsourcing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

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

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

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

Since the listing on the Growth Enterprise Market in 2003, the Group's revenue and service revenue have maintained rapid growth, recording a CAGR of 36.7% and 52.3% from 2003 to 2012 respectively. The Group's service revenue for the first half of 2013 recorded a year-on-year growth of 21.2%. The details are set out as follows:



Customers

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

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

Market

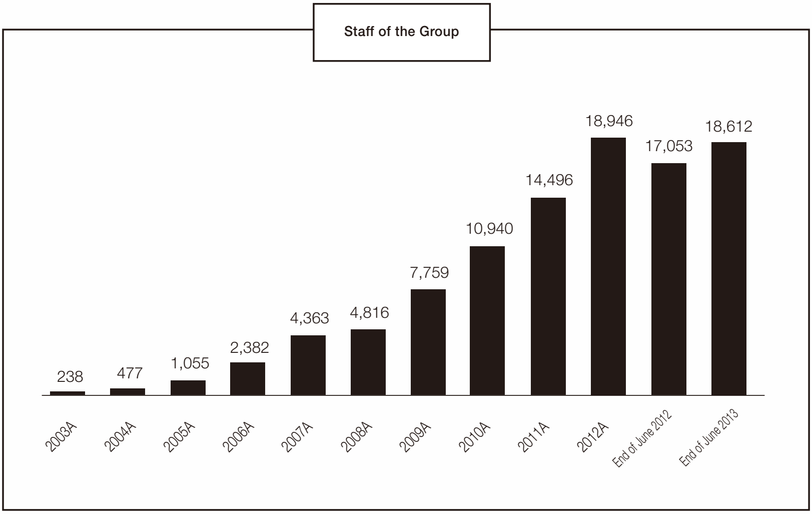
The Group operated its businesses mainly in Greater China.

In the first half of 2013, the Group continued to set Greater China market as an important sector for development. China's strong economic growth and the immense market potentials embedded in Greater China led to long-term growth opportunities for the Group. At the same time, several of our large multinational corporate customers also expressed to set China as the most crucial part of their global layout, which was a clear indication of their confidence in the Chinese economy and the rare development opportunities for our businesses.

Human Resources

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

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



Earnings Capability

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

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

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

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

OPERATING RESULTS

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

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

REVENUE

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

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

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

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

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

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

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

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

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

COST OF MAIN BUSINESSES

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

GROSS PROFIT

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

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

1. A renewed focus on next-generation technology and higher margin businesses such as Cloud enabling initialitives and mobile computing technologies. For example, our ChinaMobile Fetion business will have higher gross margins than our current businesses.

2. We are starting to implement a new internet based internal resource control system aimed at reducing billable time fragmentation in an effort to raise our utilization rate.

OTHER INCOME, GAINS AND LOSSES

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

OPERATING EXPENSES

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

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

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

EBITDA AND BUSINESS CONTRIBUTION PROFIT

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

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

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

FINANCE COSTS AND INCOME TAX

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

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

OTHER NON-CASH EXPENSES

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

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

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

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

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

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

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

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

INTERIM RESULTS

The board of Directors (the "Board") of Chinasoft International Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June, 2013 with corresponding figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	(Unaudited) 30 June, 2013 RMB'000	(Audited) 31 December, 2012 RMB'000
Non-current assets			
Property, plant and equipment		**133,786**	132,853
Intangible assets		**233,977**	159,330
Goodwill		**745,408**	629,075
Interests in associates		**28,109**	27,616
Available-for-sale investment		**25,000**	25,000
Prepaid lease payments		**57,952**	42,477
Deferred tax assets		**10,515**	10,515
		1,234,747	1,026,866
Current assets			
Inventories		**48,109**	23,989
Trade and other receivables	*8*	**1,341,634**	1,039,396
Prepaid lease payments		**150**	1,038
Amounts due from associate		**–**	10,182
Amounts due from customers for contract work		**574,840**	561,359
Amount due from related companies		**–**	205
Pledged deposits		**2,124**	4,468
Bank balances and cash		**514,062**	774,847
		2,480,919	2,415,484
Current liabilities			
Trade and other payables	*9*	**620,400**	668,918
Bills payable		**1,672**	7,071
Amounts due to customers for contract work		**123,412**	110,506
Amounts due to related companies		**–**	9,196
Dividend payable to shareholders		**74**	75
Taxation payable		**20,443**	39,312
Borrowings		**430,900**	309,300
Convertible loan notes		**194,861**	199,087
		1,391,762	1,343,465
Net current assets		**1,089,157**	1,072,019
Total assets less current liabilities		**2,323,904**	2,098,885
Non-current liabilities			
Deferred tax liabilities		**17,602**	17,602
Borrowings		**69,400**	19,000
		87,002	36,602
		2,236,902	2,062,283
Capital and reserves			
Share capital	*10*	**84,667**	81,804
Share premium		**1,565,981**	1,466,006
Reserves		**456,685**	379,814
Equity attributable to equity holders of the Company		**2,107,333**	1,927,624
Non-controlling interests		**129,569**	134,659
Total equity		**2,236,902**	2,062,283

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the company											
	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Share options reserve RMB'000	Convertible loan notes reserve RMB'000	General reserve fund RMB'000	Statutory enterprise expansion fund RMB'000	Statutory surplus reserve fund RMB'000	Accu-mulated fund RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January, 2012	77,879	1,392,651	(1,382)	78,222	15,167	15,793	26,749	12,153	108,440	1,725,672	78,013	1,803,685
Profit for the period	–	–	–	–	–	–	–	–	59,724	59,724	5,713	65,437
Exchange differences arising from translation of overseas operations	–	–	(1,436)	–	–	–	–	–	–	(1,436)	(8)	(1,444)
Total comprehensive income for the period	–	–	(1,436)	–	–	–	–	–	59,724	58,288	5,705	63,993
New issue of subscription share	–	–	–	–	–	–	–	–	–	–	–	–
New issue of shares upon exercise of share option	1,084	19,967	–	(5,394)	–	–	–	–	–	15,657	–	15,657
Capital contribution from non-controlling interest of subsidiaries	–	–	–	–	–	–	–	–	–	–	40,000	40,000
Recognition of equity-settled share based payments	–	–	–	3,626	–	–	–	–	–	3,626	–	3,626
At 30 June, 2012	78,963	1,412,618	(2,818)	76,454	15,167	15,793	26,749	12,153	168,164	1,803,243	123,718	1,926,961
At 1 January, 2013	81,804	1,466,006	(1,933)	69,758	15,167	15,793	26,749	29,072	225,208	1,927,624	134,659	2,062,283
Profit for the period	–	–	–	–	–	–	–	–	72,664	72,664	8,389	81,053
Exchange differences arising from translation of overseas operations	–	–	2,419	–	–	–	–	–	–	2,419	(8)	2,411
Total comprehensive income for the period	–	–	2,419	–	–	–	–	–	72,664	75,083	8,381	83,464
Acquisition of business	2,573	86,019	–	–	–	–	–	–	–	88,592	–	88,592
Acquisition of additional equity interest in subsidiary	197	11,512	–	–	–	–	–	–	–	11,709	(13,825)	(2,116)
New issue of shares upon exercise of share option	93	2,444	–	(562)	–	–	–	–	–	1,975	–	1,975
Recognition of equity-settled share based payments	–	–	–	2,704	–	–	–	–	–	2,704	–	2,704
Appropriations	–	–	–	–	–	549	–	1,165	(2,068)	(354)	354	–
At 30 June, 2013	84,667	1,565,981	486	71,900	15,167	16,342	26,749	30,237	295,804	2,107,333	129,569	2,236,902

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

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

1. BASIS OF PRESENTATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December, 2012.

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

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

3. TURNOVER AND SEGMENT INFORMATION

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

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

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

1. Professional Services Business (PSG)

2. Outsourcing Services Business (OSG)

3. Training Business

Information regarding the above segments is reported below.

Segment revenues and results

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

	For the six months ended 30 June,			
	Segment revenue		Segment results	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Professional Services Business (PSG)	**663,952**	587,908	**67,694**	55,134
Outsourcing Services Business (OSG)	**660,601**	551,124	**50,782**	61,576
Training Business	**47,118**	34,472	**1,694**	1,325
	1,371,671	1,173,504	**120,170**	118,035

Segment revenue by products and services:

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

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

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

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

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

4. FINANCE COSTS

	For the six months ended 30 June, 2013 RMB'000	2012 RMB'000
Interest on borrowings wholly repayable within five years	**13,688**	7,193
Effective interest on convertible loan notes	**6,725**	7,067
	20,413	14,260

5. TAXATION

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

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

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

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

6. DIVIDEND

The Company did not declare final dividend for the year ended 31 December, 2012 and interim dividend for the period ended 30 June, 2013 to its shareholders.

7. EARNINGS PER SHARE

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

	For the six months ended 30 June,	
	2013	2012
	RMB'000	RMB'000
Earnings for the purposes of calculating basic and diluted earnings per share	**72,309**	59,724

	Number of shares	
	2013	2012
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,720,162,999**	1,636,163,049
Effect of dilutive potential ordinary shares: Issuable under the Company's share option scheme	**21,157,112**	80,235,168
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,741,320,111**	1,716,398,217

The computation of diluted earnings per share for the period ended 30 June 2012 and 30 June 2013 did not assume the conversion of the convertible loan notes as the conversion would result in an increase in the diluted earnings per share.

8. TRADE AND OTHER RECEIVABLES

	(Unaudited) 30 June, 2013 RMB'000	(Audited) 31 December, 2012 RMB'000
Trade receivables	879,213	589,501
Less: Allowance for doubtful debts	(94,853)	(95,114)
	784,360	494,387
Trade receivables from related companies	276,859	335,422
	1,061,219	829,809
Advances to suppliers	128,273	91,114
Deposits, prepayments and other receivables	152,142	118,473
	1,341,634	1,039,396

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

	(Unaudited) 30 June, 2013 RMB'000	(Audited) 31 December, 2012 RMB'000
Within 90 days	550,334	601,133
Between 91-180 days	298,993	116,221
Between 181-365 days	155,162	54,822
Between 1-2 years	44,808	56,828
Over 2 years	11,922	805
	1,061,219	829,809

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

9. TRADE AND OTHER PAYABLES

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

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

	(Unaudited) 30 June, 2013 RMB'000	(Audited) 31 December, 2012 RMB'000
Within 90 days	281,921	143,443
Between 91-180 days	16,015	36,729
Between 181-365 days	73,116	49,998
Between 1-2 years	32,562	89,102
Over 2 years	13,421	25,873
	417,035	345,145

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

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

10. SHARE CAPITAL

Ordinary shares of HK$0.05 each:	Number of shares	Nominal amount
Authorised		HK$
At 1 January, 2012, 30 June, 2012, 1 January, 2013 and 30 June, 2013	4,000,000,000	200,000,000

	Number of shares	Nominal amount	Amount shown in the financial statements
		HK$	RMB'000
Issued and fully paid			
At 1 January, 2012	1,622,228,659	81,111,433	77,879
Exercise of options	26,659,000	1,332,950	1,084
At 30 June, 2012	1,648,887,659	82,444,383	78,963
Exercise of options	69,617,000	3,480,850	2,847
Share repurchase and cancelled	(140,000)	(7,000)	(6)
At 31 December, 2012 and 1 January, 2013	1,718,364,659	85,918,233	81,804
Exercise of options	2,310,000	115,500	93
Issue of new shares (note a)	69,514,274	3,475,714	2,770
At 30 June, 2013	1,790,188,933	89,509,447	84,667

Notes:

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

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

11. CAPITAL COMMITMENTS

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

12. RELATED PARTY TRANSACTIONS

(i) During the relevant periods in 2012 and 2013, the Group had the following transactions with the following related parties:

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

Notes:

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

(b) Huawei is the non-controlling owner of CSITS, a non-wholly owned subsidiary of the Company. Following the establishment of CSITS in April 2012. Huawei Group became a related party of the Group thereafter.

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

13. EMPLOYEE AND OTHER INFORMATION

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

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

DIRECTORS' INTERESTS IN SHARES

As 30 June, 2013, the following Directors had interests in the shares and underlying shares of the Company and shares in an associated corporation (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) of the Company as set out below and recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by directors of listed issuers.

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

Name of Director	Total No. of Ordinary Shares	Approximate percentage of total issued ordinary share capital of the Company as at 30 June, 2013
Zhao John Huan	335,076,453	18.72%
Chen Yuhong	171,579,039	9.58%
Tang Zhenming	11,747,765	0.66%
Jiang Xiaohai	6,872,447	0.38%
Wang Hui	6,277,838	0.35%
Zeng Zhijie	300,000	0.02%

Options to subscribe for Shares

Name of Director	Exercise Price (HK$)	No. of share options outstanding as at 1 January, 2013	No. of share options exercised during the period	No. of share options outstanding as at 30 June, 2013	Percentage of total issued ordinary share capital of the Company as at 30 June, 2013	No of underlying ordinary shares interested in	*Note*
Tang Zhenming	0.58	80,000	–	80,000	0.004%	4,180,000	*(1)*
	0.65	1,300,000	–	1,300,000	0.07%		*(2)*
	0.97	800,000	–	800,000	0.04%		*(3)*
	1.78	2,000,000	–	2,000,000	0.11%		*(4)*
Wang Hui	1.78	1,200,000	–	1,200,000	0.07%	1,200,000	*(4)*
Zeng Zhijie	1.78	450,000	–	450,000	0.03%	450,000	*(4)*

Notes:

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

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

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

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

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

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

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

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

SHARE OPTION SCHEME

As at 30 June, 2013, there were share options to subscribe for an aggregate of 143,119,600 Shares granted to certain Directors and employees of the Group pursuant to the Share Option Scheme outstanding.

During the six months ended 30 June, 2013, an aggregate of 2,310,000 share options were exercised, an aggregate of 60,000 share options were lapsed and no share options were granted under the Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, during the six months ended 30 June, 2013 none of the Directors was granted options to subscribe for shares of the Company and as at 30 June, 2013 none of the Directors had any rights to acquire shares in the Company.

REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS

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

THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rule relating to dealings 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, 2013.

SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors, as at 30 June, 2013, the interest of the persons (not being a Director or chief executive of the Company) in the shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in Shares

Name	Nature of interest	Approximate number of Shares (million)	Approximate percentage of total issued ordinary share of the Company	Approximate percentage of total issued share* of the Company
Keen Insight Limited ("Keen Insight") *(Note 1)*	Beneficial interest	335.08	18.72%	17.57%
Hony Capital Fund 2008, L.P. *(Note 1)*	Interest of controlled corporation	335.08	18.72%	17.57%
Hony Capital Fund 2008 GP L.P. *(Note 1)*	Interest of controlled corporation	335.08	18.72%	17.57%
Hony Capital Fund 2008 GP Limited *(Note 1)*	Interest of controlled corporation	335.08	18.72%	17.57%
Hony Capital Management Limited ("Hony Capital") *(Note 1)*	Interest of controlled corporation	335.08	18.72%	17.57%

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

* *The total number of issued share consists of 1,790,188,933 Ordinary Shares and 116,404,949 Convertible Notes, which could be converted into 116,404,949 Ordinary Shares.*

Notes:

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

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

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

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

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

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

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

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

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

Save as disclosed above, as at 30 June, 2013, no other interest or short position in the Shares or underlying shares of the Company were recorded in the register required to be kept under section 336 of the SFO.

COMPETING INTERESTS

As at 30 June, 2013, none of the Directors or the management shareholders of the Company and their respective associates (as defined under the Listing Rules) had any interest in a business which competed or might compete with the business of the Group.

AUDIT COMMITTEE

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

The audit committee of the Company has reviewed the Interim results of the Group for the six months ended 30 June, 2013.

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

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

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

19 August, 2013, Hong Kong