

Chinasoft International (354.HK)

2017 Annual Results



奋斗为本 成就客户
创造分享 共同成长

Disclaimer

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Agenda

1. Financial Results

2. Business Developments and Strategic Outlooks

3. Investment Highlights

4. Company Overview



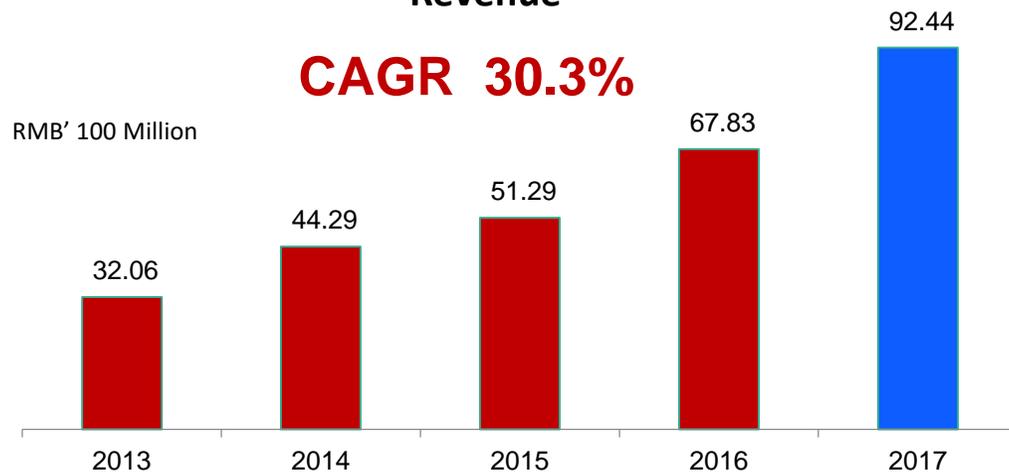
Financial Highlights

RMB '000	2017	2016	Growth
Revenue	9,243,684	6,783,367	36.3%
<i>Service Revenue</i>	<i>8,807,512</i>	<i>6,573,770</i>	<i>34.0%</i>
Gross Profit	2,750,466	2,015,838	36.4%
Profit for the Period	561,307	409,833	37.0%
Net Profit Attributable to Equity Shareholders	565,567	442,081	27.9%
Basic EPS (RMB cents)	23.59	20.34	16.0%
Profit for the Period Excluding Share Option Expenses	711,259	455,118	56.3%
Profit for the Period Attributable to Owners of the Company Excluding Share Option Expenses	715,519	487,366	46.8%
Basic EPS Excluding Share Option Expenses (RMB cents)	29.85	22.43	33.1%

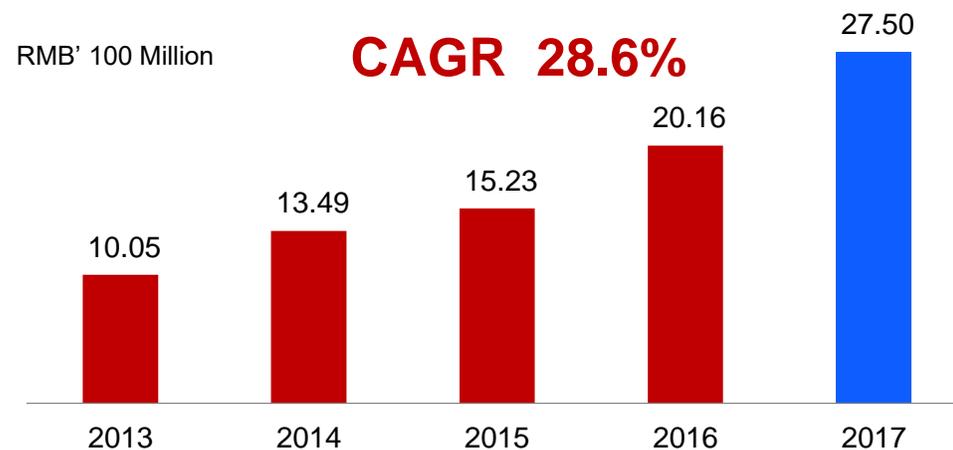
Financial Highlights

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Revenue

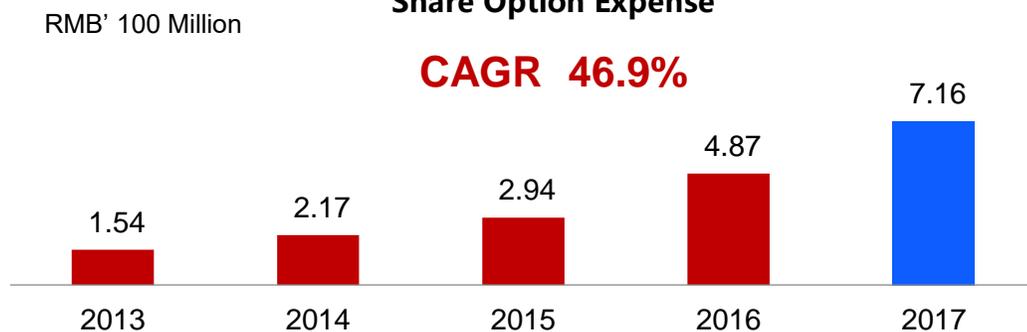


Gross Profit

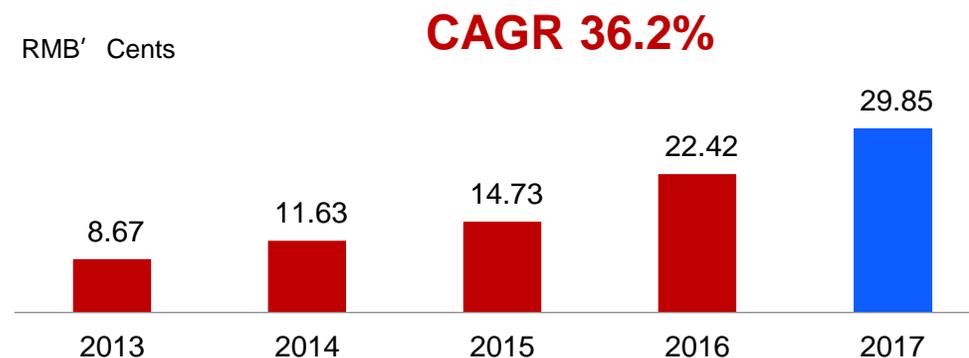


Profit Attributable to Owners of the Group Excluding

Share Option Expense



Basic EPS Excluding Share Option Expense



Main Business Indicators

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CS&S
中软国际

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	2013	2014	2015	2016	2017
Net Cash= Deposit in Bank - Loan - CB	(237,811)	(684,526)	(384,303)	(62,272)	146,586
Net Gearing= Net Indebtedness/ Net Assets	9.7%	25.3%	11.0%	1.4%	(2.8%)
Working Capital= Current Assets - Current Liabilities	1,704,020	1,264,485	1,807,374	2,488,497	3,896,830
Asset Liability Ratio	47.8%	49.5%	45.1%	40.1%	40.2%
ROE	6.6%	7.8%	9.1%	11.3%	11.8%
Gross Profit Margin	31.4%	30.5%	29.7%	29.7%	29.8%
Operating Profit*	196,394	309,581	381,666	584,248	769,447
Operating Profit Margin	6.1%	7.0%	7.4%	8.6%	8.3%

* Operating Profit=Gross Profit- Selling Cost – R&D Cost- Allowance for Doubtful Debts – Other Expenses + Share Option Expenses

Operating Cash Flow/DSO

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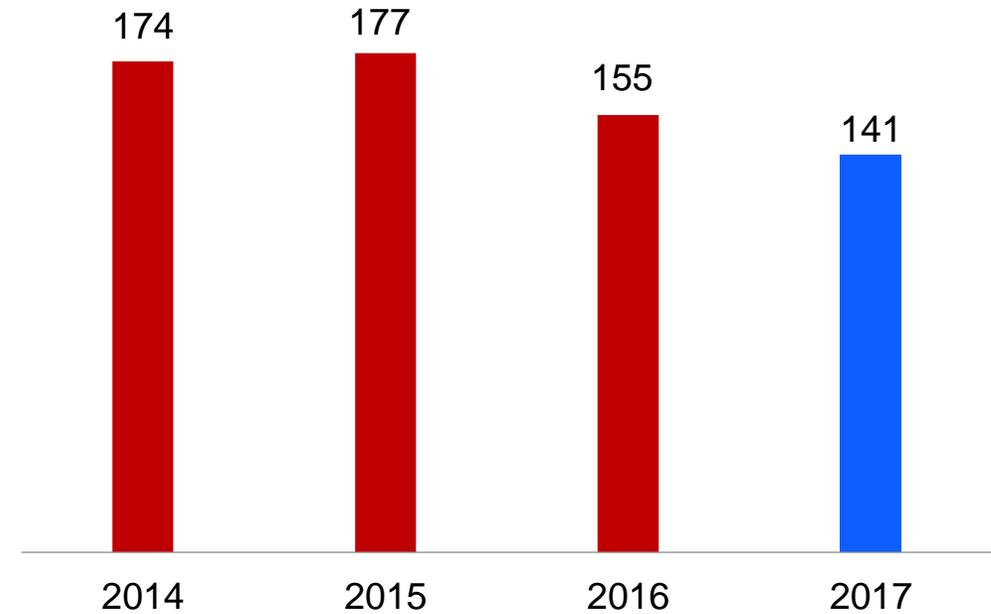
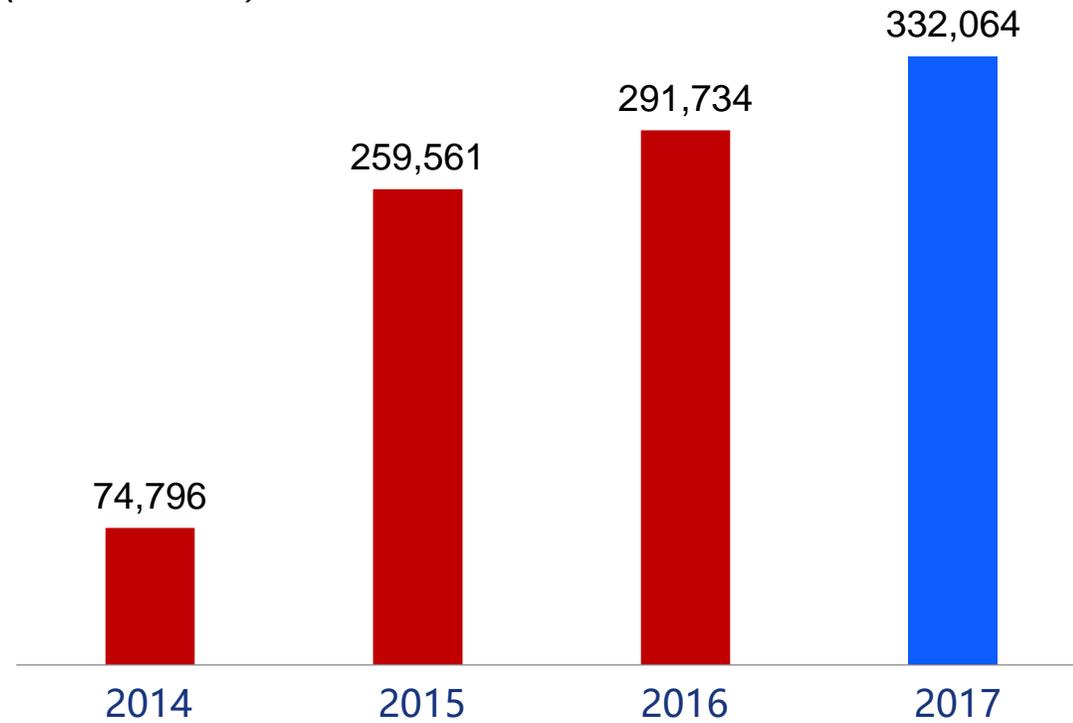


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Operating Cash Flow

DSO(Days)

(In RMB '000)



Financial Analysis

RMB '000	2017	Per Revenue%	Per Service Revenue%	2016	Per Revenue%	Per Service Revenue %	Growth%
Revenue	9,243,684			6,783,367			36.3%
<i>Service Revenue</i>	8,807,512			6,573,770			34.0%
Cost of Sales	-6,493,218	-70.2%	-74.2%	-4,767,529	-70.3%	-72.5%	36.2%
Gross Profit	2,750,466	29.8%	31.2%	2,015,838	29.7%	30.7%	36.4%
Other Income	100,491	1.1%	1.1%	41,908	0.6%	0.6%	139.8%
Other gains or losses	-4,065	-0.04%	-0.05%	1,807	0.03%	0.03%	-325.0%
Selling Expenses	-369,729	-4.0%	-4.2%	-219,022	-3.2%	-3.3%	68.8%
Administration Expenses	-1,086,325	-11.8%	-12.3%	-806,614	-11.9%	-12.3%	34.7%
Research and development costs	-567,313	-6.1%	-6.4%	-345,269	-5.1%	-5.3%	64.3%
Allowance for Doubtful Debt	-25,862	-0.3%	-0.3%	-17,958	-0.3%	-0.3%	44.0%
Amortization	-81,742	-0.9%	-0.9%	-88,012	-1.3%	-1.3%	(7.1%)
Finance Cost	-102,915	-1.1%	-1.2%	-95,735	-1.4%	-1.5%	7.5%
Share of Result of Associates	19,763	0.2%	0.2%	17,492	0.3%	0.3%	13.0%
Gain arising from changes in fair value of contingent consideration payable on acquisition of a subsidiary				20,152	0.3%	0.31%	
Profit Before Taxation	632,769	6.8%	7.2%	524,587	7.7%	8.0%	20.6%
Taxation	-71,462	-0.8%	-0.8%	-114,754	-1.7%	-1.7%	-37.7%
Profit for the Period	561,307	6.1%	6.4%	409,833	6.0%	6.2%	37.0%
Profit for the Period Excluding Share Option Expenses	711,259	7.7%	8.1%	455,118	6.7%	6.9%	56.3%

Balance Sheet

RMB ' 000	2017	2016
Current assets		
Inventories	26,024	20,893
Trade and other receivables	1,960,240	2,092,700
Bills receivable	11,909	23,186
Prepaid lease payments	860	860
Amounts due from customers for contract work	2,579,998	1,430,206
Amount due from related companies	83,854	59,939
Pledge Deposits	658	670
Bank balances and cash	1,785,305	1,298,972
	6,448,848	4,927,426
Non-current assets		
Property, plant and equipment	852,519	819,799
Intangible assets	179,450	231,075
Goodwill	996,789	1,008,479
Investments accounted for using the equity method	133,218	104,190
Available-for-sale investment	65,342	61,965
Prepaid lease payments	37,863	38,723
Other receivable	30,000	30,000
Deferred tax assets	7,504	7,646
	2,302,685	2,301,877

RMB ' 000	2017	2016
Current liabilities		
Amounts due to customers for contract work	44,572	122,271
Trade and other payables	1,584,295	1,203,843
Bills payable	20,473	812
Amounts due to related companies	59,151	37,983
Dividend payable to shareholders	78	83
Taxation payable	157,699	130,450
Borrowings	685,750	922,452
Consideration payable on acquisition of a subsidiary	-	21,035
	2,552,081	2,438,929
Net current assets	3,896,830	2,488,497
Total assets less current liabilities	6,199,515	4,790,374
Non-current liabilities		
Deferred tax liabilities	15,904	18,943
Convertible loan notes	953,645	244,296
Borrowings	-	194,496
	957,209	457,735
	5,229,966	4,332,639
Capital and reserves		
Share capital	110,283	106,387
Share premium	2,809,329	2,652,697
Reserves	2,246,189	1,505,130
Equity attributable to equity holders of the Company	5,165,801	4,264,214
Non-controlling interests	64,165	68,425
Total equity	5,229,966	4,332,639

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Traditional ITS Provider

**STRONG
CORE
BUSINESS**

- Market trend shows growths in IT spending in China
- Continue to build relations with existing customers
- Explore new large customers
- Continue with global expansion



Cloud Service Provider

**INNOVATE
INTO NEW
BUSINESS**

- Favorable market trends towards cloud and digitalization
- "Sailing on the same boat" with Huawei
- Build out cloud (PaaS and SaaS), big data and AI capabilities
- Become IT partners of growing companies
- Expand Jointforce and cloud software parks

Traditional ITS Record Strong Growths



Huawei

- First "sailing on the same boat" cloud partner



HSBC

- China's only global supplier.
- Largest ODC globally



Tencent

- Largest game developer and tester. Introduced Dan Chen as strategic shareholder



PingAn

- Smart city collaboration.



MSFT

- China's first global vendor and most valuable vendor



Baidu

- Strategic partner in artificial intelligence

Top 10 customers accounts for over 80% of total revenue

More than 80% businesses are continuous

3P Model

Global Expansion

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- HSBC's only global supplier in China
- Largest service provider for CMB

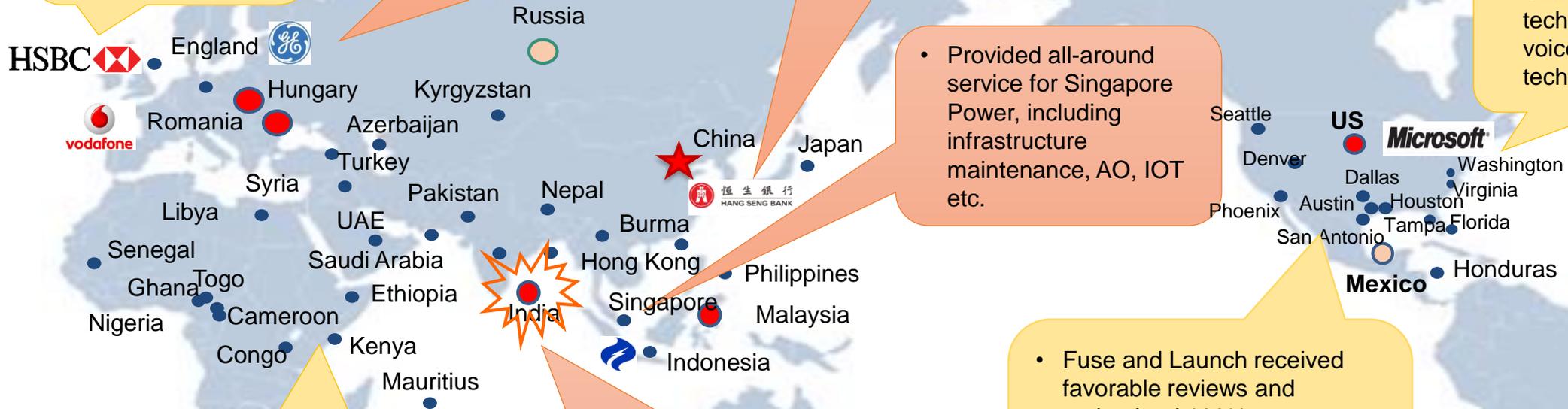
- Became GE Predix cloud platform cooperating partner and provided cloud migration, IOT and cloud development service for GE

- Launched a new generation of video teller machine, mVTM, and implemented it for Hang Seng Bank in Greater Asia Area

- Chinasoft provided tech support for AI voice recognition technology of Microsoft

- Provided all-around service for Singapore Power, including infrastructure maintenance, AO, IOT etc.

- Fuse and Launch received favorable reviews and maintained 100% renew rate
- New product is developing smoothly, Security-as-a-Service solution, Spyglass, will be launched soon



Mobile Money Solution

A screenshot of a mobile money application interface showing various transaction options and account balances.

Electric Internet of Things for Southeast Asia, Middle East and Africa

A diagram illustrating the architecture of an Electric Internet of Things (E-IoT) network. It shows the flow of data from various applications (People, Billing, M2M, CRM, Asset) through a platform layer to a WAN layer, and finally to a LAN layer. The diagram includes components like routers, switches, and servers.

● Built
● To Be Built

Traditional ITS Provider

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Cloud Service Provider

**INNOVATE
INTO NEW
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- Build out cloud (PaaS and SaaS), big data and AI capabilities
- Expand Jointforce and cloud software parks

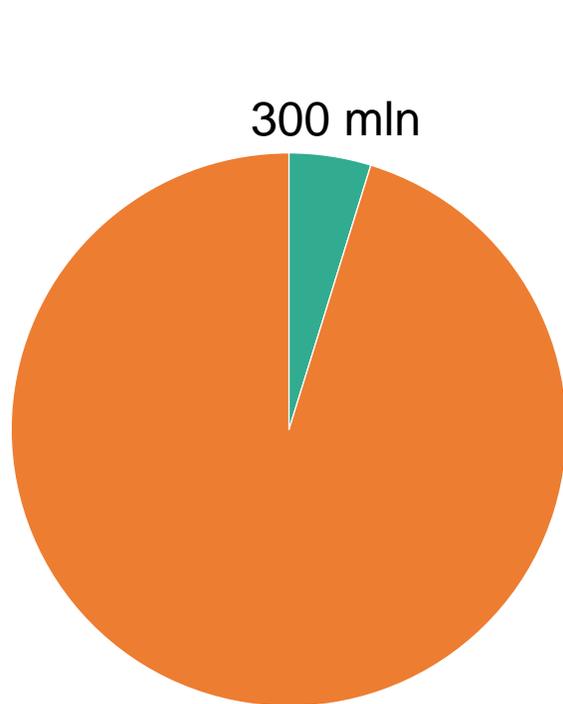
New Businesses Grow Rapidly

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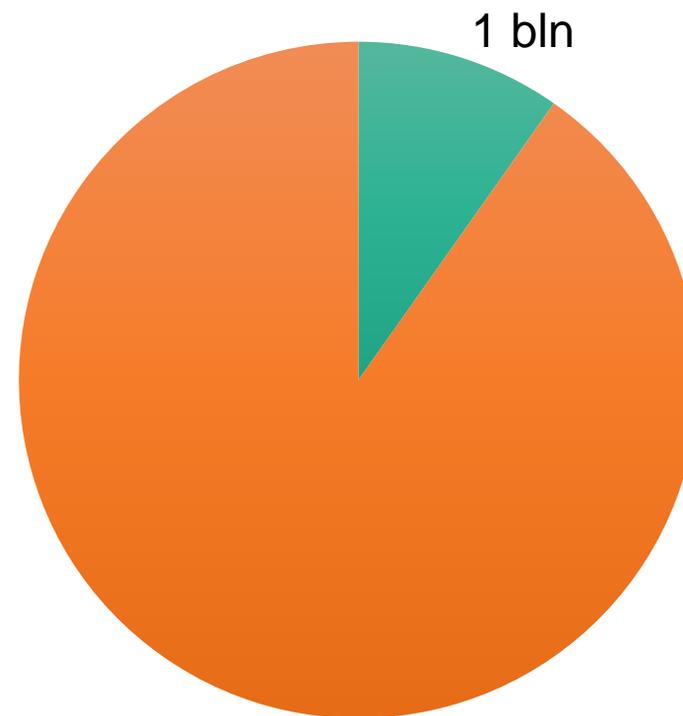
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The Group defines the new businesses as cloud, big data, and Jointforce



2016



2017

Cloud consulting

- Cloud consulting & evaluation
- System architecture design Professional

Cloud application development & integration

- Cloud integration
- DevOps
- Micro services

Cloud migration

- Application migration
- Data migration
- Database migration

Cloud solutions

- Chinasoft International enterprise cloud drive (JFun Box)
- Cloud management platform (private cloud CMP)
- Cloud security management platform (3rd party)

Cloud managed services

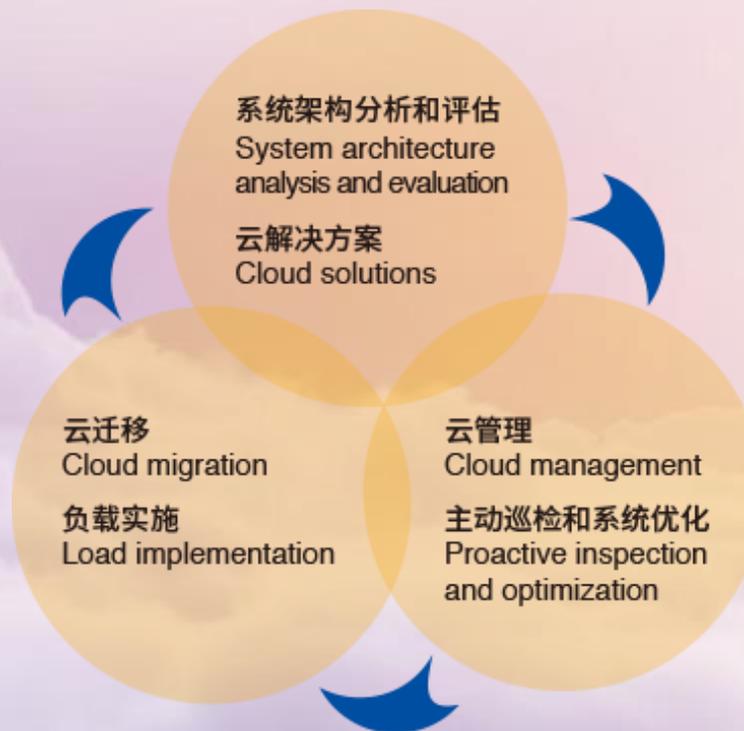
- Monitoring
- Security operation
- Expert service,
- Application customization

Catapult Cloud COE

- **Digital workforce as a service (SaaS)**
- Fuse Launch
- Spyglass Hawk Blitz
- **Application migration APP (OnRamp)**

CSI cloud life cycle management

Through out cloud is a journey, there are continuous practice and analysis enhancement in cloud life cycle stages.



Smart Manufacturing Cloud

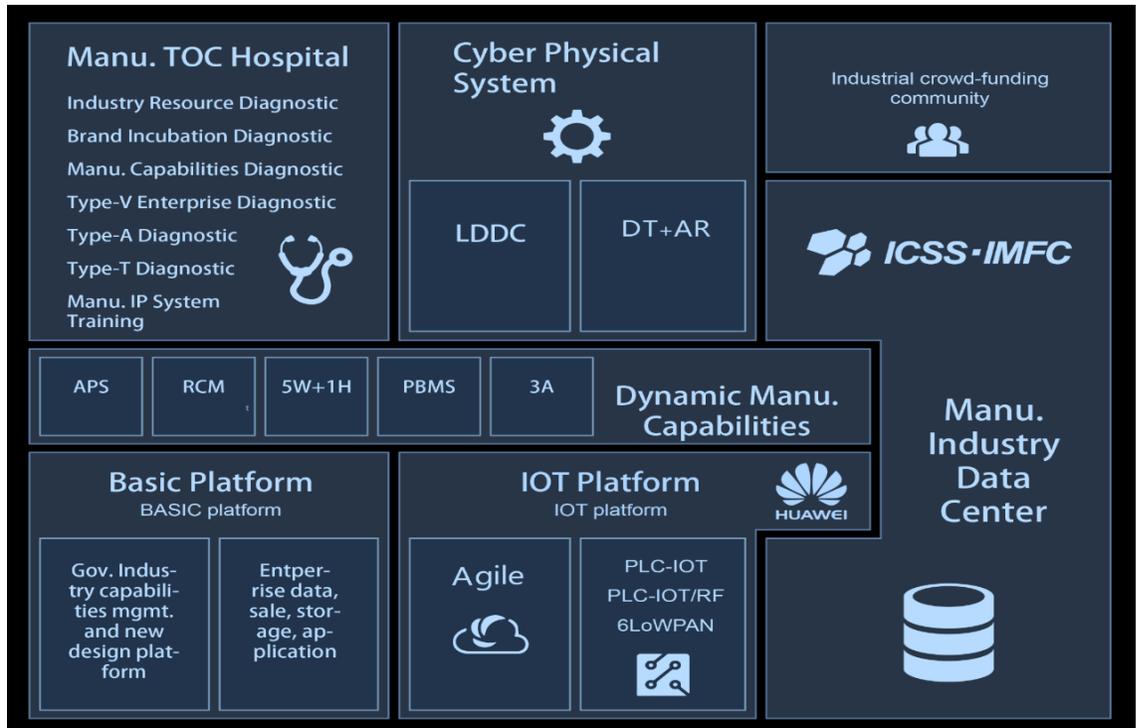
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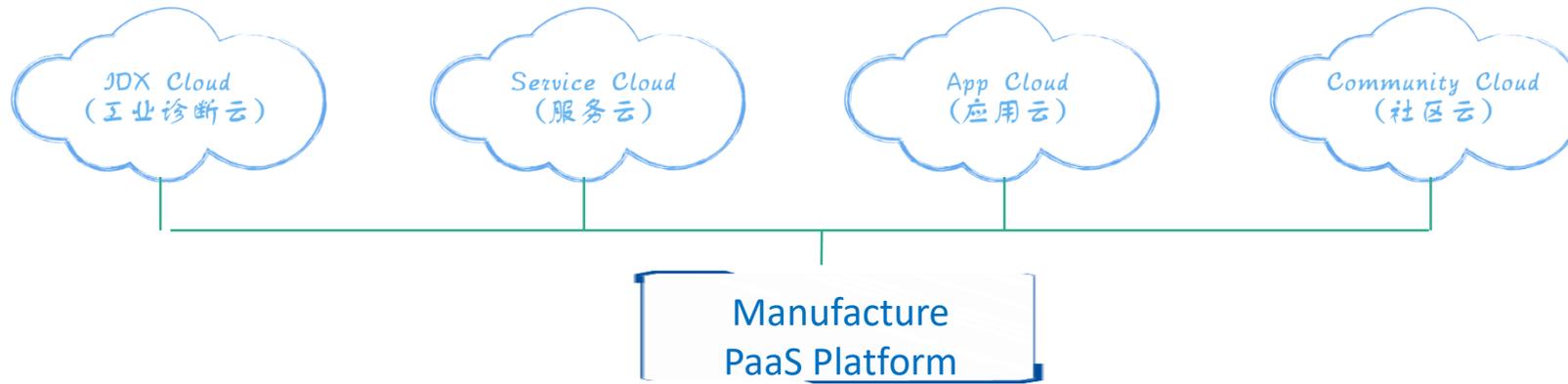


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Adopt open system architecture and based on Huawei IoT products and Huawei cloud platform, CSI intelligent manufacturing cloud is a componentized, modular and standard smart industrial cloud ecology system that constructed by using core value management concept and TOC (Theory of constraints) diagnostic methods.

- Manufacturing process is transformed from process-driven to data-driven.
- Serve government, industry, manufacturing enterprises, society and customers and promote local resource integration, industry convergence and customized production.





IDX Cloud

The overall entrance to Honeycomb, provides diagnostic services to industries and businesses that help local industries quickly find and fill short comings

Service Cloud

A networked production system collects advantageous resources such as manufacturing products, services and talents to centrally manage them

APP Cloud

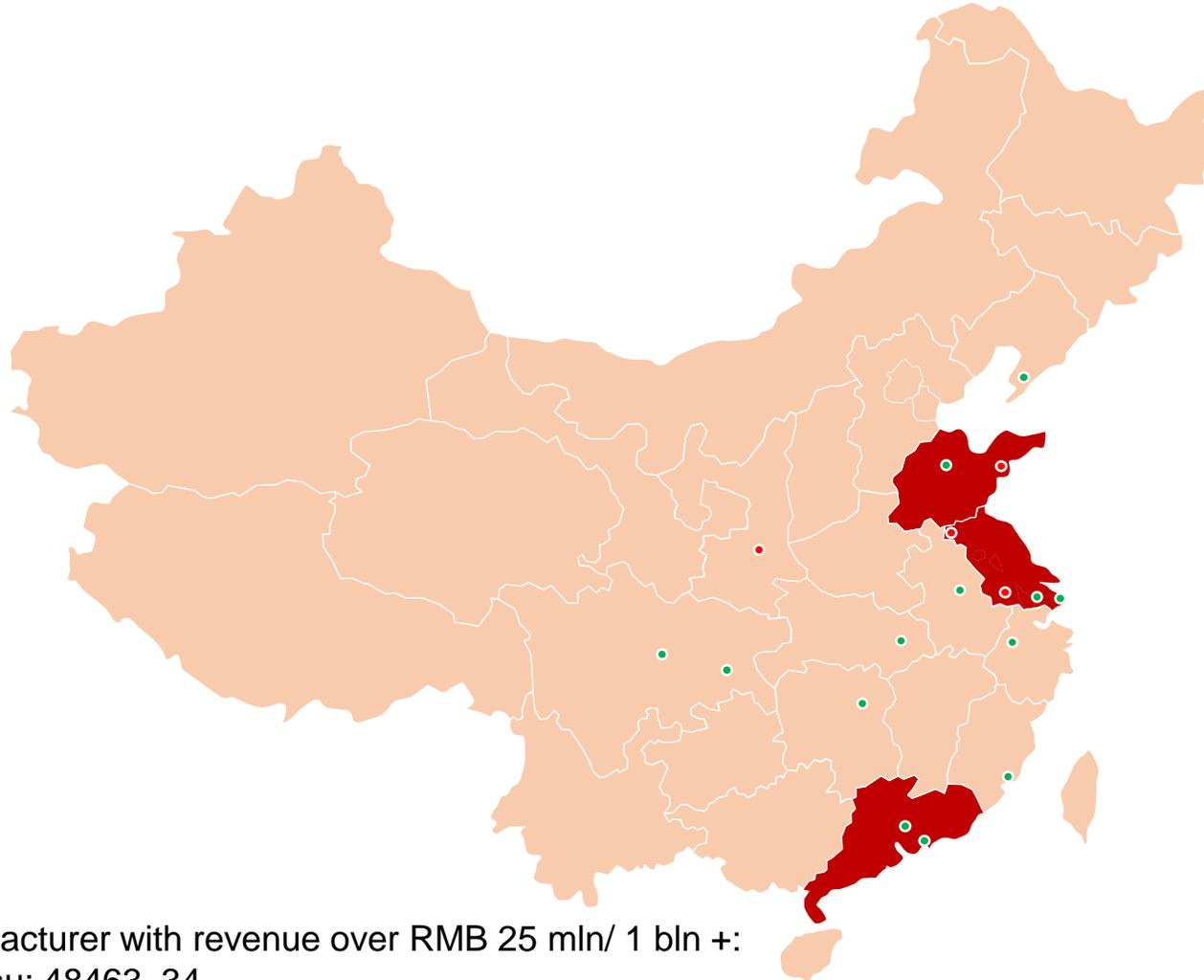
Provides cloud-based manufacturing information applications for enterprises to economically, efficiently and rapidly realize intelligent manufacturing upgrade

Community Cloud

Provides an industrial APP development environment through open platform and community services, standardized API and other development tools to create a service based ecosystem

Honeycomb Market

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Manufacturer with revenue over RMB 25 mln/ 1 bln +:
Jiangsu: 48463, 34
Shandong: 36186 , 70
Guangdong: 42876, 22



On August 28, Kunshan municipal government, CSI and HUAWEI signed a strategic cooperation agreement

- To help 900 companies migrate on the Diagnosis Service Platform
- To help companies construct smart factories so as to upgrade its digital infrastructure construction
- To assist Kunshan become an advanced manufacturing base with international competitiveness

Team

Over 1,000 big data engineers; longest employed and most experienced team in China

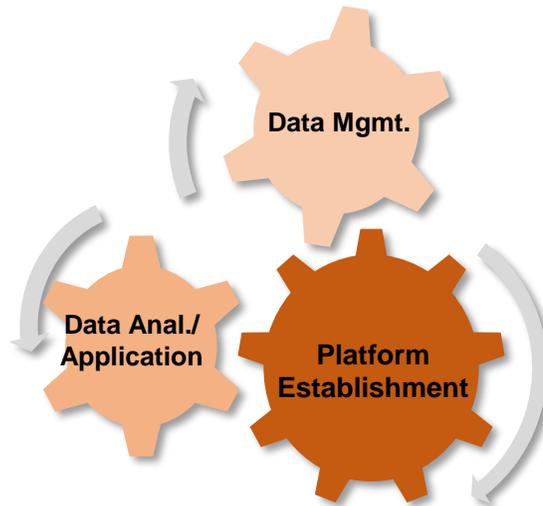
Capabilities

Technology implementation, R&D, management and consulting, AI support

Industries

BFSI, government, public transportation, energy manufacturing, media, education, etc.

Cross Platform Capabilities



Chinasoft's Tools and Products

Awards and Recognition

- 2017 Big Data Top 100
- VAR500 Top 10 Solution Provider
- China Electronic Information Association Big Data Top Ten Solution Provider

Big Data Clients

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BFSI



Government



Electricity



Transportation Manufacturing



Artificial Intelligence



Using AI + Cloud to improve accuracy of speech recognition for a global IT company.

Helping to build AI for a leading AI company in China and implementing AI into CSI solutions.

mVTM is a new generation of video teller machine with facial recognition and other risk controls.

According to Gartner, AI will reduce cost from 15-25%

Jointforce 2.0

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Capability
upgrade



Commission
to
membership



Cloud
software
parks and
IT center



Exclusive
partnership
with HW
development
cloud



Engineers

300,000+

Job Posted

1.35 Bln

Service
Providers

10,000

Cloud
Software
Park

15

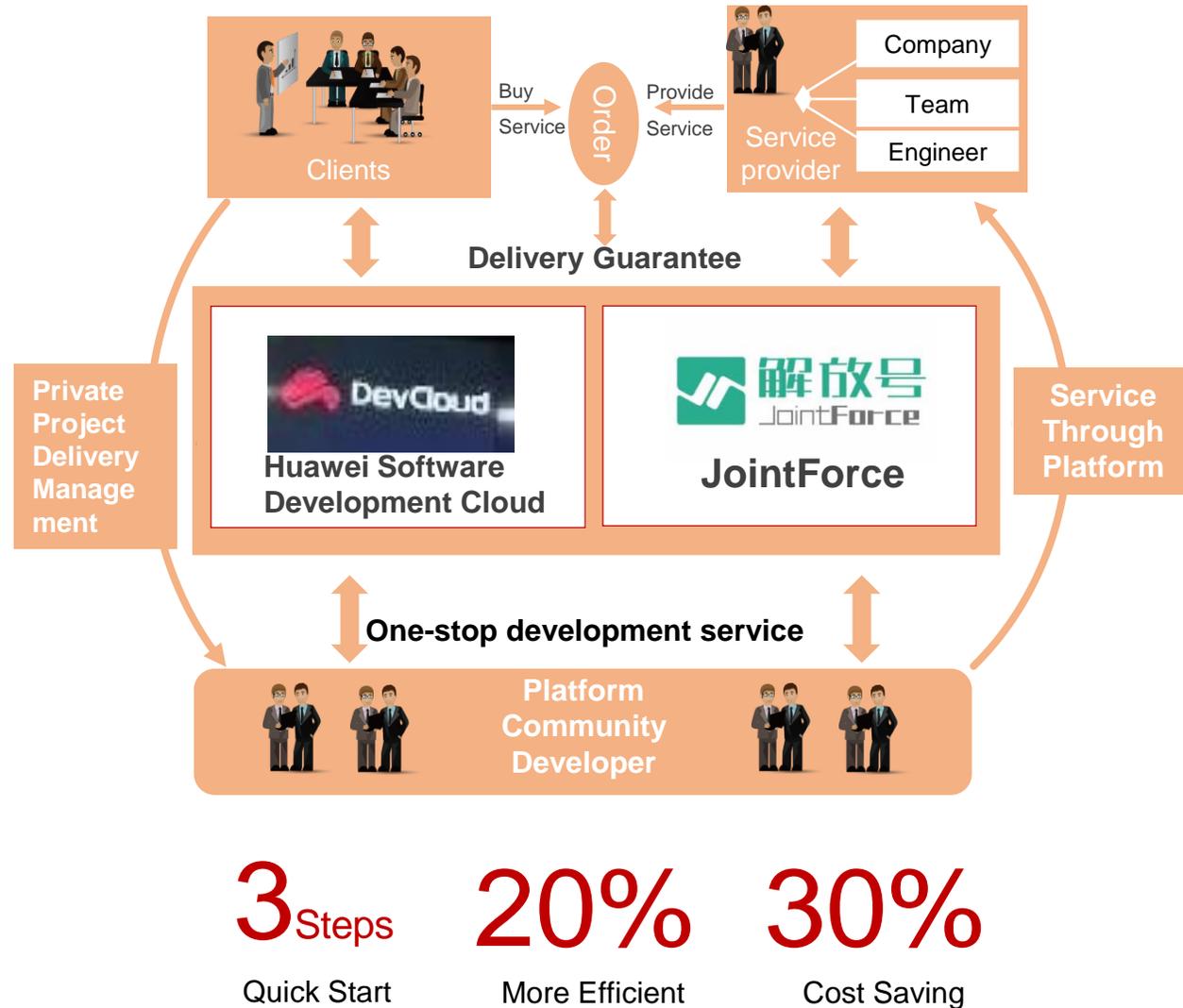
Contractors

30,000+

Cloud IT
Center

1

Full Product Upgrade



New One-Stop shop; Bundled with Huawei Dev. Cloud

Customized Application Development

APP Dev. Wechat Dev. Front-End Dev.
Website Building UI Design Industry APP Dev.
AI Big Data AR/VR
Application Integration Information Security
Business Management Software
Tools Software Games Dev. Desktop Software
Development Platform Software Internationalization

Industry Solutions

Education Finance E-Commerce
Health Care Travel Catering

Industrial Design & Smart Manufacturing

Hardware Dev. Mold Design Embedded Dev.
Industrial Design Circuit Design 3D Printing

Technical Services

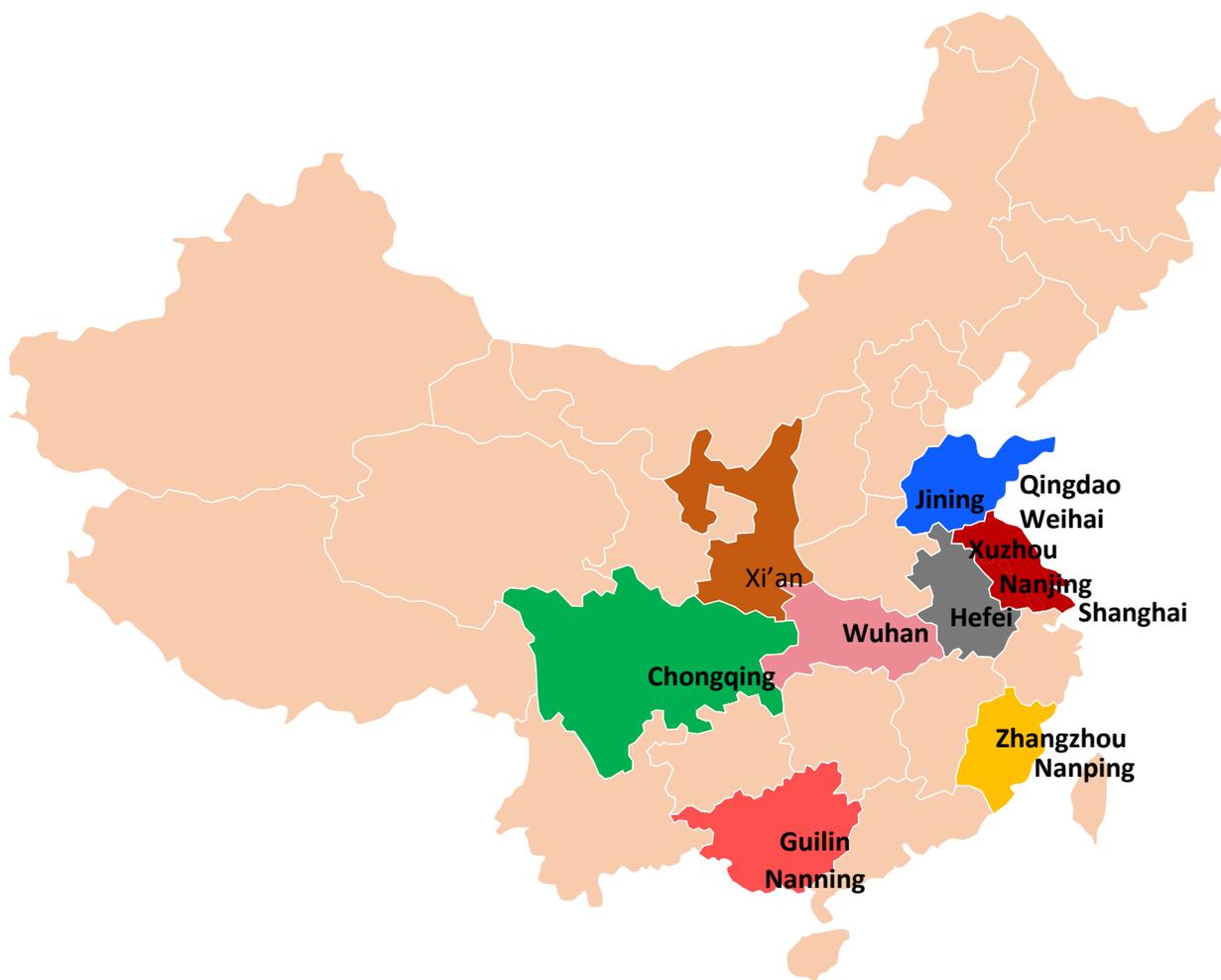
Short Term On-Site Testing Service
IT Operation and Maintenance
System Adjustment IT HR

Branding and Media

Brand Design Animation
Advertisement Marketing

Cloud Software Parks and IT Center

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1

To understand local demand and provide services and solutions

2

Help recruitment and promotions

3

O2O training services

4

Build a database



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Leading IT service provider in China with high growth speed and low PE

- ✓ Software and IT industry maintained high growths with good prospective
- ✓ Comprehensive IT service capability, in-depth industry experience and broad blue chip customer base
- ✓ Strategic cooperation partnership with Huawei, Microsoft, HSBC, Alibaba, Tencent etc.
- ✓ Actively implementing digital transformation in new businesses like cloud, big data and Jointforce

Becoming world leading IT service company with tremendous potential and innovation capability

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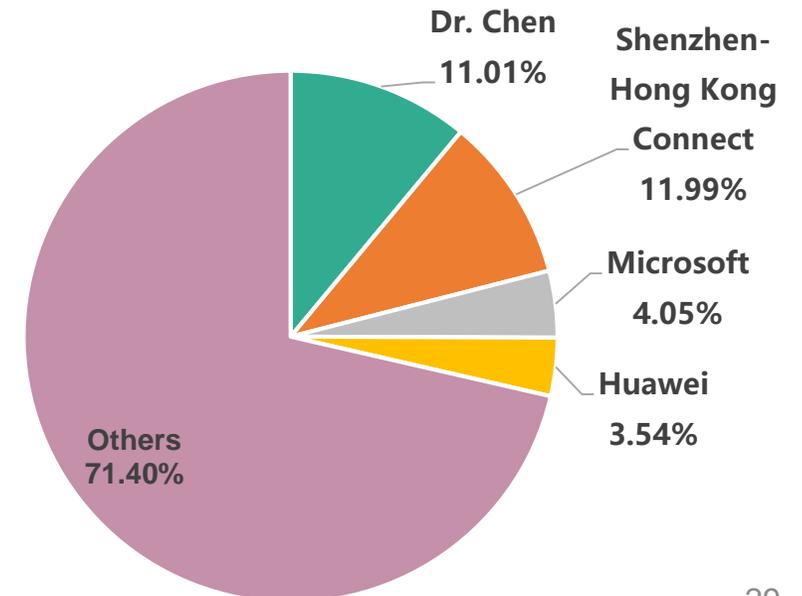
Company Overview

Chinasoft is a large comprehensive “end-to-end” Chinese IT service provider headquartered in Beijing and services global clients.



Established	2000
HK GEM Listing	2003
HK Main Board Listing	2008
Code	354.HK
Revenue in 2017	9.24 Billion RMB
Employees	50,500

Shareholders



Broad Blue Chip Customer Base



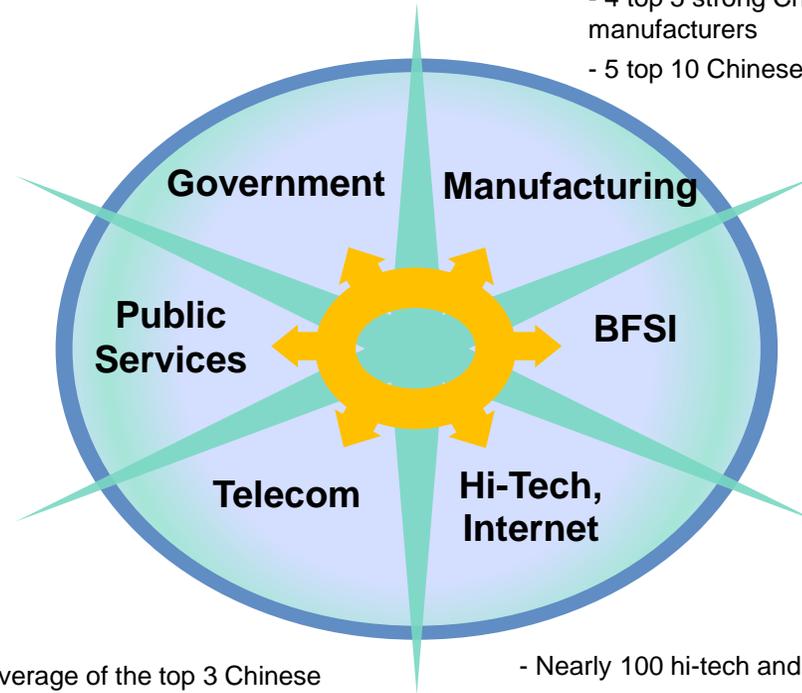
- 20 Chinese government ministries level institutions
- 6 "Twelve" Gold Project

- 100% coverage of the top 100 Chinese cigarette brands
- 2 top 3 Chinese car brands
- 4 top 5 strong Chinese machinery manufacturers
- 5 top 10 Chinese steel companies



- Shanghai
- Beijing
- Shenzhen
- Tianjin
- Chongqing
- Hanzhou
- Qingdao
- -----

- Over 30 cities
- Issued over 100 million system cards, Covered more than 30 cities



- 100% Chinese banks
- 26 foreign banks
- 13 finance institutes



Sony Ericsson

- 100% coverage of the top 3 Chinese telecom operators
- 2 top three global telecommunications equipment supplier

- Nearly 100 hi-tech and Internet companies





Business coverage

22 branches in China
18 overseas branches
Services cover 32 countries

Capabilities distribution

2 Hi-tech parks, 10,000+ FTEs in each site
11 ODCs serving for Huawei global R&D
11 ODCs serving for MNC enterprises



Government and Manufacturing

Government IT solutions	NO.3
E-government	NO.1
Social security	NO.3
Financial market	NO.5
Quality inspection	NO.1
Audit	NO.1
Manufacturing: MES	NO.2



Finance and Banking

Banking IT solutions	NO.6
Credit cards	NO.1
Payment and settlement	NO.3
Credit	NO.4
Counter trading	NO.2
Risk management	NO.6
Smart business and support	NO.5
HSBC's only global supplier in China	



Telecom

Mobile client application development and adaptation services No.1

China Mobile's Internet base core suppliers

Huawei's largest IT services provider



Public Services

One-card solutions NO.1

Nations first payment and settlement,

Urban rail transit ticket transfer payment system

Automatic fare collection system



Hi-Tech

Outsourcing orders from other countries NO.3

Outsourcing orders from Europe and America NO.2

Microsoft's global chief supplier and the world's most valuable supplier

Tencent's gaming's biggest service provider

Emerging Technologies



Big data

Data Collection & Integration
Data Governance
Data Analytic Application
Decision-making Support



Cloud

Cloud Consulting
Cloud Migration
Cloud Application development & Integration
Cloud Managed Service
Cloud Solutions



Mobile & Internet

Enterprise Mobile
Application Development
Mobility Devices Testing
User Experience Design
JointForce



Digitalization

Digital Marketing
Enterprise Social
Catapult Digital Workplace

Traditional IT Services



Strategic Consulting

Enterprise Strategy & Digital Transformation
Business Consulting & Decision-making



Application & Development

Enterprise Mobile and Application
Software Development & Implementation
Hardware Development & Maintenance



Technical Service

Maintenance and Support
Product Testing
Infrastructure Management
Globalization & Localization



Excellency Training

Excellency Training Center
Excellency Experience Center
Zker Platform

Solution Capabilities

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Industry Solutions

General Solutions

Government

- Audit Management
- Social Insurance and Benefits
- State Owned Asset Mgmt
- Food and Drug Management
- Administrative Management
- Policy Planning System
- Online Audit Application
- Public Portal
- Cloud Migration & Integration

Manufacture & Logistics

- Safety Production Management
- LES
- WMS
- EAI
- Product Code Tracking
- MES

Finance

- Payment System
- Receivable System
- Credit System
- Bank Card System
- Credit Card System
- Risk Management System
- Digital Marketing
- Supply Chain Leverage
- Insurance System
- Digital Insurance System
- Insurance Dev. Support
- Reimbursement System

Public Services

- One Card Access
- AFC
- Retail & Real estate solutions
- ACC
- Smart Transportation
- Airport Operating System
- Oil and gas enterprise information solutions
- Electric power supplies management solutions
- Electric power marketing management system

Telecom

- Mobile Payment
- Mobile Instant Communication
- Mobile Community
- Corporate blog
- Mobile Application Store
- One-Click Dial
- Embedded Browser
- Mobile Advertisement Platform

High tech & Internet

- Product development
- Software & hardware testing
- Embedded software development
- Consulting & solution implementation
- E-commerce solutions
- Offshore delivery center
- Mobile terminal development
- UI design
- Web development solution

- CRM
- OA
- BI
- Portal Group
- RFID
- GIS
- Electronic Ticketing System

Core Products

Middleware Platform ResourceOne is Based on SOA and Cloud

- Popular in Government and Manufacturing Verticals – “trusted cloud”
- Named the Best Government Platform by CCID 5 Years In a Row

TopLink/TSA+ Platform

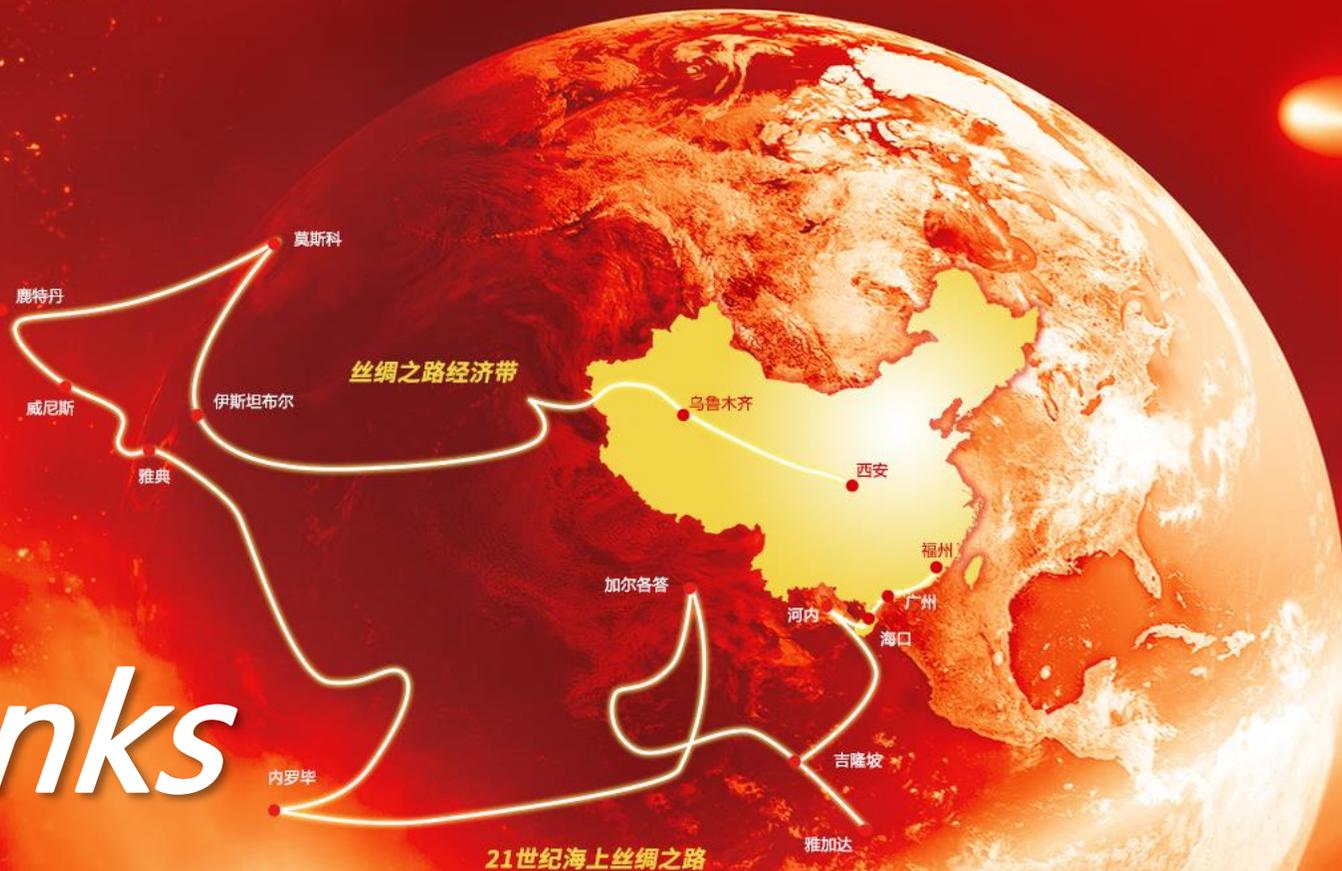
- Used in Union Pay, Government, and Provinces Centers
- Support Cross Regional Bank Card Online Transaction

ARK Middleware

- One-stop big data dev. platform

谢谢 *Thanks*

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创造分享 共同成长