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中软国际

CHINASOFT INTERNATIONAL LIMITED

中軟國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 354)

INTERIM RESULTS REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2015

HIGHLIGHTS

Results for the first half of 2015

Income statement highlights	For the six months ended 30 June		% Increase (over the same period last year)
	(unaudited) 2015	(unaudited) 2014	
	RMB'000	RMB'000	
Revenue	2,388,751	1,937,639	23.3%
Revenue from service	2,204,689	1,909,225	15.5%
Profit attributable to Owners of the Group	139,670	101,265	37.9%
Basic EPS (<i>RMB cents</i>)	7.23	5.45	32.7%
Statement of financial position highlights	(unaudited) 30 June 2015	(audited) 31 December 2014	% Increase
	RMB'000	RMB'000	
Total assets	5,946,378	5,344,466	11.3%
Total liabilities	(2,701,801)	(2,643,435)	2.2%
Total equity	<u>3,244,577</u>	<u>2,701,031</u>	20.1%

- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015.
- No closure for the Register of Members of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

KEY OPERATING DATA

During the first half of 2015, the Group's businesses continued to grow steadily. The revenue, service revenue, net profit attributable to the owners of the Group, and the EPS increased by 23.3%, 15.5%, 37.9%, and 32.7% compared to the same period a year ago.

The key operating data (unaudited) for six months ended 30 June 2015 are:

	Six Months Ended 30 June		
	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>	Growth Rate
Revenue	2,388,751	1,937,639	23.3%
<i>Service revenue</i>	<i>2,204,689</i>	<i>1,909,225</i>	15.5%
Cost of sales	(1,711,509)	(1,356,441)	26.2%
Gross profit	677,242	581,198	16.5%
Other income, gains and losses	12,899	20,920	(38.3%)
Selling and distribution expenses	(110,631)	(102,160)	8.3%
Administrative expenses	(339,572)	(299,977)	13.2%
Allowance for doubtful debts	(309)	(298)	3.7%
Amortization of intangible assets and prepaid lease payments	(46,326)	(40,350)	14.8%
Finance costs	(39,565)	(35,528)	11.4%
Share of results of associates	583	363	60.6%
Profit before taxation	154,321	124,168	24.3%
Taxation	(11,261)	(9,080)	24.0%
Profit for the period	143,060	115,088	24.3%
Taxation	11,261	9,080	24.0%
Finance Costs	39,565	35,528	11.4%
Depreciation of property, plant and equipments	32,690	30,224	8.2%
Amortization of intangible assets and prepaid lease payments	46,326	40,350	14.8%
Share of results of associates	(583)	(363)	60.6%
EBITDA	272,319	229,907	18.4%
Profit attributable to shareholders	139,670	101,265	37.9%
Basic EPS (<i>RMB cents</i>)	7.23	5.45	32.7%

GENERAL OVERVIEW

The revenue, service revenue, and results of the Group's different business lines for the first half of 2015 are as follow:

	Revenue			Service Revenue			Results		
	Six Months Ended 30 June		Growth Rate	Six Months Ended 30 June		Growth Rate	Six Months Ended 30 June		Growth Rate
	2015 RMB'000	2014 RMB'000		2015 RMB'000	2014 RMB'000		2015 RMB'000	2014 RMB'000	
Professional Services Business (PSG)	961,819	779,705	23.4%	777,757	751,291	3.5%	86,879	83,778	3.7%
Outsourcing Services Business (OSG)	1,160,716	960,495	20.8%	1,160,716	960,495	20.8%	88,637	71,574	23.8%
Emerging Services Business (ESG)	220,487	149,991	47.0%	220,487	149,991	47.0%	25,206	16,891	49.2%
Training Business	45,729	47,448	(3.6%)	45,729	47,448	(3.6%)	847	1,706	(50.4%)
Total	2,388,751	1,937,639	23.3%	2,204,689	1,909,225	15.5%	201,569	173,949	15.9%

The PSG's revenue achieved a YoY growth of 23.4%. This growth came from the increase of businesses from the railway integration solution. The PSG's service revenue achieved a YoY growth of 3.5%. The reason for only a slight increase is because there was no apparently increase in demand in the traditional solutions market, and also the Group is now shifting focus to the ESG.

The OSG's service revenue achieved a YoY growth of 20.8%. This growth came from the increase of businesses from Huawei.

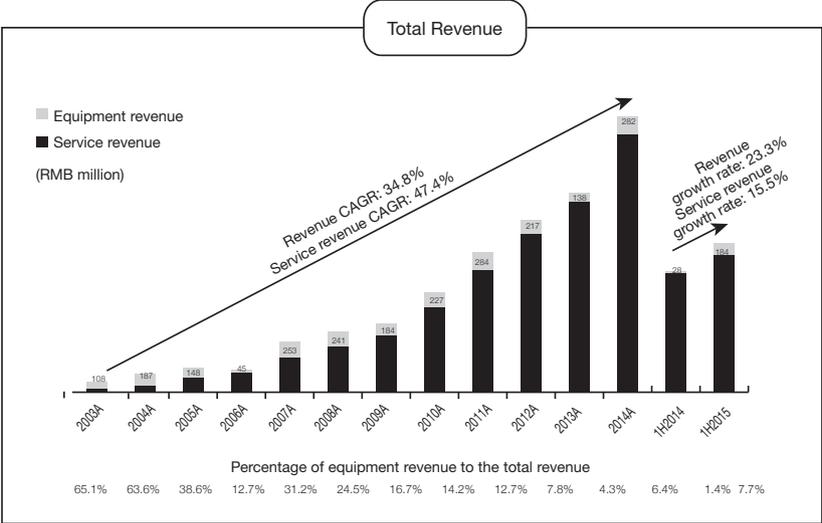
In terms of service revenue, the ESG achieved a YoY growth of 47.0%. This rapid growth came from the increase of businesses from cloud computing and mobile internet.

The ETC's revenue realized a YoY decrease of 3.6% due to cyclical factors.

During the reporting period, the Group's result achieved a YoY growth of 15.9%, slightly higher than the 15.5% YoY growth of the Group's service revenue. The overall profitability increase is attributed to the still limited effect of increase of utilization rate that offset against the increase of wages after implementing Jointforce to some business lines.

The Group firmly believes that as Jointforce becomes more widely utilized, the Group’s operating profit margin will continue to improve and the results will continue to increase.

Since listing on the GEM board in 2003, the Group has maintained high revenue and service revenue growth, recording a CAGR of 34.8% and 47.4% respectively from 2003-2014. For the first six months of 2015, the revenue and service revenue achieved YoY growth of 23.3% and 15.5% respectively. The details are as follow:



Customers

In the first half of 2015, the top five and ten customers accounted for 49.4% and 55.2% of the Group’s service revenue.

As of 30 June 2015, the Group had over 83 large customers (contributed more than RMB6 million of service revenue within the past 12 months).

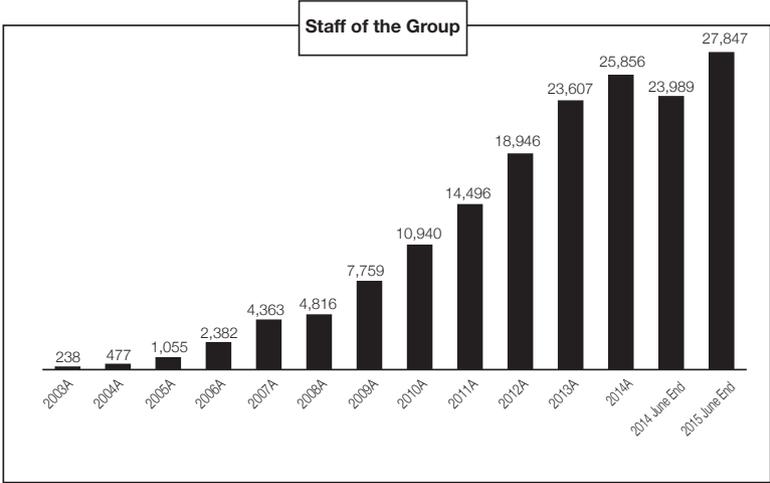
Market

The Group’s businesses are concentrated in the Greater China region. During the first half of 2015, the Group continued to set Greater China market as an important area of development. China’s strong economic growth and market potentials give rise to long-term growth opportunities for the Group. That said, the Group will continue to expand oversea through Catapult Systems, a Microsoft cloud systems integration service provider.

Human Resources

As of 30 June 2015, the Group has a total of 27,847 employees, representing an increase of 16.1% YoY (23,989 employees) in HI 2014 and 7.7% from the end of 2014.

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



Profitability

For the first half of 2015, the Group once again saw robust earnings growth. Profit attributable to shareholders rose by 37.9% to RMB139.7 million compared to RMB101.3 million in the same period a year ago. Group EBITDA was RMB272.3 million in the current period compared to last year’s RMB229.9 million, a rise of 18.4%. Basic EPS rose 32.7% to RMB7.23 cents from last year’s RMB5.45 cents.

Operating Results

The following chart is the Group's consolidated statement of comprehensive income for the six months ended 30 June 2014, 2015 (unaudited):

	Six Months Ended 30 June 2015 RMB'000	Percentage of Revenue	Percentage of Service revenue	Six Months Ended 30 June 2014 RMB'000	Percentage of Revenue	Percentage of Service Revenue
Revenue	2,388,751	N/A	N/A	1,937,639	N/A	N/A
<i>Service revenue</i>	<i>2,204,689</i>	<i>N/A</i>	<i>N/A</i>	<i>1,909,225</i>	<i>N/A</i>	<i>N/A</i>
Cost of sales	(1,711,509)	(71.6%)	N/A	(1,356,441)	(70.0%)	N/A
Gross Profit	677,242	28.4%	30.7%	581,198	30.0%	30.4%
Other income, gains and losses	12,899	0.5%	0.6%	20,920	1.1%	1.1%
Selling and distribution expenses	(110,631)	(4.6%)	(5.0%)	(102,160)	(5.3%)	(5.4%)
Administrative expenses	(339,572)	(14.2%)	(15.4%)	(299,977)	(15.5%)	(15.7%)
Allowance for doubtful debts	(309)	(0.01%)	(0.01%)	(298)	(0.02%)	(0.02%)
Amortization of intangible assets and prepaid lease payments	(46,326)	(1.9%)	(2.1%)	(40,350)	(2.1%)	(2.1%)
Finance costs	(39,565)	(1.7%)	(1.8%)	(35,528)	(1.8%)	(1.9%)
Share of results of associates	583	0.02%	0.03%	363	0.02%	0.02%
Profit before taxation	154,321	6.5%	7.0%	124,168	6.4%	6.5%
Taxation	(11,261)	(0.5%)	(0.5%)	(9,080)	(0.5%)	(0.5%)
Profit for the period	143,060	6.0%	6.5%	115,088	5.9%	6.0%
Profit attributable to shareholders	139,670	5.8%	6.3%	101,265	5.2%	5.3%

Revenue

For the first half of 2015, the Group's revenue was RMB2,388.8 million, representing a YoY growth of 23.3% (for 20141H: RMB1,937.6 million). The Group's service revenue was RMB2,204.7 million, representing a YoY growth of 15.5% (for 20141H: RMB1,909.2 million). The growth came primarily from ESG and OSG.

The comparison of the Group's revenue by businesses for the first half of 2015 and 2014 is as follows:

<i>RMB'000</i>	Six Months Ended 30 June 2015	%	Six Months Ended 30 June 2014	%	Growth Rate
Profession Services Business (PSG)	961,819	40.3%	779,705	40.3%	23.4%
Outsourcing Services Business (OSG)	1,160,716	48.6%	960,495	49.6%	20.8%
Emerging Services Group (ESG)	220,487	9.2%	149,991	7.7%	47.0%
Training Business	45,729	1.9%	47,448	2.4%	(3.6%)
Total	2,388,751	100%	1,937,639	100%	23.3%

The comparison of the Group's service revenue by businesses for the first half of 2015 and 2014 is as follows:

<i>RMB'000</i>	Six Months Ended 30 June 2015	%	Six Months Ended 30 June 2014	%	Growth Rate
Profession Services Business (PSG)	777,757	35.3%	751,291	39.4%	3.5%
Outsourcing Services Business (OSG)	1,160,716	52.6%	960,495	50.3%	20.8%
Emerging Services Group (ESG)	220,487	10.0%	149,991	7.9%	47.0%
Training Business	45,729	2.1%	47,448	2.4%	(3.6%)
Total	2,204,689	100%	1,909,225	100%	15.5%

Main Business Expenses

For the first half of 2015, the Group's main business expenses (cost of sales) were RMB1,711.5 million, representing a YoY growth of 26.2% (for 20141H: RMB1,356.4 million).

Gross Profit

For the first half of 2015, the Group's gross profit was RMB677.2 million, representing a YoY growth of 16.5% (for 20141H: RMB581.2 million). The Group's gross margin was 28.4%, representing a YoY decrease of 1.6% (for 20141H: 30.0%). The main reason for the decrease of the gross margin is because in the current period we had more hardware sales (which as a much lower profit margin) compared to a year ago. For the first half of 2015, the Group's gross margin (to service revenue) was 30.7%, representing a YoY growth of 0.3% (for 20141H: 30.4%).

Other Income, Gains, and Losses

For the first half of 2015, the Group's other income was RMB12.9 million, representing a YoY decrease of 38.3% (for 20141H: RMB20.9 million). The reason for the decrease is due to the decrease of government grants received in 20151H compared to that of 2014.

Operating Expenses

For the first half of 2015, the Group's selling and distribution expenses were RMB110.6 million, representing a YoY increase of 8.3% (for 20141H: RMB102.2 million). The Group's selling and distribution expenses accounted for 4.6% of the revenue, representing a YoY decrease of 0.7% (for 20141H: 5.3%). The Group's selling and distribution expenses accounted for 5.0 % of the service revenue, representing a YoY decrease of 0.4% (for 20141H: 5.4%). This shows that the Group has increased its sales management efficiency.

For the first half of 2015, the Group's administrative expenses were RMB339.6 million, representing a YoY growth of 13.2% (for 20141H: RMB300.0 million). The Groups administrative expenses accounted for 14.2% of the revenue, representing a YoY decrease of 1.3% (for 20141H: 15.5%). The Groups administrative expenses accounted for 15.4% of the service revenue, representing a YoY decrease of 0.3% (for 20141H: 15.7%). The main reason for the administration's improved efficiency is because of the operation and management support platform implemented in the previous years has become more effective, in addition to the implementation of a flatter management style through the promotion of Jointforce platform.

EBITDA

The details on profit to EBITDA during the reporting period are as follow:

<i>RMB'000</i>	Six Months Ended 30 June		Growth Rate
	2015	2014	
Profit for the period	143,060	115,088	24.3%
Taxation	11,261	9,080	24.0%
Finance costs	39,565	35,528	11.4%
Depreciation of property, plant and equipment	32,690	30,224	8.2%
Amortization of intangible assets and prepaid lease payments	46,326	40,350	14.8%
Share of results of associates	(583)	(363)	60.6%
EBITDA	272,319	229,907	18.4%

For the first half of 2015, the Group's EBITDA was RMB272.3 million, representing a YoY growth of 18.4% (for 20141H: RMB229.9 million). The Group's EBITDA accounted for 11.4% of the revenue, representing a YoY decrease of 0.5% (11.9%). The Group's EBITDA margin (to service revenue) was 12.4%, representing a YoY growth of 0.4% (for 20141H: 12.0%).

During the reporting period, several business lines began to use Jointforce internally and increased the utilization rate therefore offsetting some increase in employee wages. As a result, the EBITDA margin (to service revenue) improved slightly.

Finance Expenses and Income Tax

For the first half of 2015, the Group's finance expenses accounted for 1.7% of the revenue, representing a YoY decrease of 0.1% (for 20141H: 1.8%). The Group's finance expenses were RMB39.6 million, representing a YoY growth of 11.4% (for 20141H: RMB35.5 million). The main reason for the increase of finance expenses was due to the increase of loan interests since more short-term loans were borrowed in 20151H than that of 20141H.

For the first half of 2015, the income tax was RMB11.3 million, representing a YoY increase of 24.0% (for 20141H: RMB9.1 million). The Group's effective tax rates were on average 7.3%.

Other Non-Cash Expenses

For the first half of 2015, the Group's depreciation of property, plant and equipment (PPE) accounted for 1.4% of the revenue, representing a YoY decrease of 0.2% (for 20141H: 1.6%). The Group's PPE was RMB32.7 million, representing a YoY increase of 8.2% (for 20141H: RMB30.2 million). The increase is due to the purchase of fixed assets to accommodate the increase of employees, resulting in the increase of depreciation.

For the first half of 2015, the Group's amortization of intangible assets accounted for 1.9% of the revenue, representing a YoY decrease of 0.2% (for 20141H: 2.1%). The Group's amortization of intangible assets was RMB46.3 million, representing a YoY increase of 14.8% (for 20141H: RMB40.4 million). The increase of amortization resulted from the R&D expenses from the end of last year.

For the first half of 2015, the Group's share option expenses accounted for 0.1% of the revenue, representing a YoY decrease of 0.3% (for 20141H: 0.4%). The Group's share option expenses were RMB2.152 million, representing a YoY decrease of 73.6% (for 20141H: RMB8.153 million). The decrease of share option expenses is because the Group's has not issued new options in the last two years.

The Group's allowance for doubtful debts was RMB309,000. It is similar to last year's allowance for doubtful debts of corresponding period of RMB298,000.

Profit for the Period and Earnings Per Share

For the first half of 2015, the Group's profit was RMB143.060 million, representing a YoY growth of 24.3% (for 20141H: RMB115.088 million). The Group's profit to revenue and service revenue margins were 6.0% and 6.5% respectively, representing a YoY growth of 0.1% and 0.5% (for 2014H: 5.9%, 6.0%).

Excluding the profit attributable to the minority shareholders for the first half of 2015, the Group's profit attributable to shareholders was RMB139.670 million, representing a YoY growth of 37.9% (for 20141H: RMB101.265 million). The Group's profit attributable to shareholders to revenue and service revenue margins were 5.8% and 6.3% respectively, representing a YoY growth of 0.6% and 1.0% (for 20141H: 5.2%, 5.3%).

For the first half of 2015, based on the profit attributable to shareholders, the Group's basic earnings per share (EPS) was RMB7.23 cents, representing a YoY growth of 32.7% (for 20141H: RMB5.45 cents).

INTERIM RESULTS

The board of Directors (the “Board”) of Chinasoft International Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2015 with corresponding figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

		For the six months ended 30 June,	
		2015	2014
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
Turnover	3	2,388,751	1,937,639
Cost of sales		(1,711,509)	(1,356,441)
Gross profit		677,242	581,198
Other income, gains and losses		12,899	20,920
Selling and distribution costs		(110,631)	(102,160)
Administrative expenses		(339,572)	(299,977)
Allowance for doubtful debts		(309)	(298)
Amortisation of intangible assets		(46,326)	(40,350)
Finance costs	4	(39,565)	(35,528)
Share of result of associates		583	363
Profit before taxation		154,321	124,168
Taxation	5	(11,261)	(9,080)
Profit for the period		143,060	115,088
Other comprehensive income			
Exchange differences arising on transaction of foreign operations		1,026	4,184
Total comprehensive income for the period		144,086	119,272
Profit for the period attributable to:			
Owners of the Company		139,670	101,265
Non-controlling interests		3,390	13,823
		143,060	115,088
Total comprehensive income attributable to:			
Owners of the Company		140,705	105,458
Non-controlling interests		3,381	13,814
		144,086	119,272
Earnings per share	7		
– Basic (cents)		7.23	5.45
– Diluted (cents)		6.71	5.36

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

		(Unaudited) 30 June, 2015 RMB'000	(Audited) 31 December, 2014 RMB'000
Non-current assets			
Property, plant and equipment		526,862	335,803
Intangible assets		308,285	325,458
Goodwill		983,298	983,298
Interests in associates		12,712	9,629
Available-for-sale investment		49,122	43,256
Prepaid lease payments		40,011	40,474
Derivative financial instruments		1,074	1,074
Deferred tax assets		11,519	11,519
		1,932,883	1,750,511
Current assets			
Inventories		40,523	31,991
Trade and other receivables	8	1,614,261	1,315,781
Prepaid lease payments		968	1,009
Amounts due from customers for contract work		1,741,143	1,410,425
Amount due from related companies		1,588	944
Pledged deposits		60,777	22,370
Bank balances and cash		554,235	811,435
		4,013,495	3,593,955
Current liabilities			
Trade and other payables	9	856,963	771,852
Bills payable		–	35,791
Amounts due to customers for contract work		127,811	212,205
Amounts due to related companies		23,392	16,708
Dividend payable to shareholders		73	73
Taxation payable		39,107	52,651
Borrowings	10	1,269,860	1,240,190
		2,317,206	2,329,470
Net current assets		1,696,289	1,264,485
Total assets less current liabilities		3,629,172	3,014,996

		(Unaudited) 30 June, 2015 <i>RMB'000</i>	(Audited) 31 December, 2014 <i>RMB'000</i>
	<i>Notes</i>		
Non-current liabilities			
Deferred tax liabilities		19,294	19,294
Consideration payable on acquisition of a subsidiary		38,900	38,900
Convertible loan notes		97,321	193,771
Borrowings	10	229,080	62,000
		<u>384,595</u>	<u>313,965</u>
		<u>3,244,577</u>	<u>2,701,031</u>
Capital and reserves			
Share capital	11	94,493	88,014
Share premium		2,093,971	1,686,561
Reserves		841,580	722,804
		<u>3,030,044</u>	<u>2,497,379</u>
Equity attributable to equity holders of the Company		214,533	203,652
Non-controlling interests		<u>3,244,577</u>	<u>2,701,031</u>
Total equity		<u>3,244,577</u>	<u>2,701,031</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to the owners of the company												
	Share capital	Share premium	Hedging reserve	Translation reserve	Share options reserve	Convertible loan notes reserve	General reserve fund	Statutory enterprise expansion fund	Statutory surplus reserve fund	Accumulated profits	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	87,085	1,667,181	649	(9,767)	38,813	30,391	15,793	26,749	49,662	361,667	2,268,223	172,978	2,441,201
Profit for the period	-	-	-	-	-	-	-	-	-	101,265	101,265	13,823	115,088
Exchange differences arising from translation of overseas operations	-	-	-	4,193	-	-	-	-	-	-	4,193	(9)	4,184
Total comprehensive income for the period	-	-	-	4,193	-	-	-	-	-	101,265	105,458	13,814	119,272
Acquisition of additional equity interest in subsidiary	-	(3,675)	-	-	-	-	-	-	-	-	(3,675)	(27,272)	(30,947)
New issue of shares upon exercise of share option	841	23,770	-	-	(6,106)	-	-	-	-	-	18,505	-	18,505
Recognition of equity-settled share based payments	-	-	-	-	8,153	-	-	-	-	-	8,153	-	8,153
At 30 June 2014	87,926	1,687,276	649	(5,574)	40,860	30,391	15,793	26,749	49,662	462,932	2,396,664	159,520	2,556,184
At 1 January 2015	88,014	1,686,561	-	(11,532)	48,813	30,391	15,793	26,749	71,303	541,287	2,497,379	203,652	2,701,031
Profit for the period	-	-	-	-	-	-	-	-	-	139,670	139,670	3,390	143,060
Exchange differences arising from translation of overseas operations	-	-	-	1,035	-	-	-	-	-	-	1,035	(9)	1,026
Total comprehensive income for the period	-	-	-	1,035	-	-	-	-	-	139,670	140,705	3,381	144,086
Acquisition of additional equity interest in subsidiary	-	-	-	-	-	-	-	-	-	-	-	7,500	7,500
New issue of shares upon exercise of share option	237	10,220	-	-	(2,476)	-	-	-	-	-	7,981	-	7,981
Recognition of equity-settled share based payments	-	-	-	-	2,152	-	-	-	-	-	2,152	-	2,152
Issue of ordinary shares upon partial conversion of convertible loan notes	2,296	115,760	-	-	-	(21,605)	-	-	-	-	96,451	-	96,451
Issue of ordinary shares upon subscription	1,973	143,258	-	-	-	-	-	-	-	-	145,231	-	145,231
Expenses on issue of subscription shares	-	(1,454)	-	-	-	-	-	-	-	-	(1,454)	-	(1,454)
Issue of ordinary shares upon placing	1,973	143,258	-	-	-	-	-	-	-	-	145,231	-	145,231
Expenses on issue of placing shares	-	(3,632)	-	-	-	-	-	-	-	-	(3,632)	-	(3,632)
At 30 June 2015	94,493	2,093,971	-	(10,497)	48,489	8,786	15,793	26,749	71,303	680,957	3,030,044	214,533	3,244,577

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Six months ended	
	30 June,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash used in operating activities	(471,596)	(426,864)
Net cash used in investing activities	(263,340)	(168,234)
Net cash generated from financial activities	<u>475,919</u>	<u>32,335</u>
Net decrease in cash and cash equivalents	(259,017)	(562,763)
Effect of foreign exchange rate changes	1,817	4,192
Cash and cash equivalents at the beginning of the period	<u>811,435</u>	<u>940,823</u>
Cash and cash equivalents at the end of the period	<u><u>554,235</u></u>	<u><u>382,252</u></u>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in these condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2014.

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 HKFRS10, HKFRS12 and HKAS 27	Investment Entities
Amendments to HKAS32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS36	Recoverable Amount Disclosure for Non-Financial Assets
Amendments to HKA39	Novation of Derivatives and Continuation of Hedge Accounting
HK(FRIC) – Int 21	Levies

3. TURNOVER AND SEGMENT INFORMATION

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

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

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

1. Professional Services Business (PSG)
2. Outsourcing Services Business (OSG)
3. Emerging Services Business (ESG)
4. Training Business

Information regarding the above segments is reported below.

Segment revenues and results

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

	For the six months ended 30 June,			
	Segment revenue		Segment results	
	2015	2014	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Professional Services Business (PSG)	961,819	779,705	86,879	83,778
Outsourcing Services Business (OSG)	1,160,716	960,495	88,637	71,574
Emerging Services Business (ESG)	220,487	149,991	25,206	16,891
Training Business	45,729	47,448	847	1,706
	<u>2,388,751</u>	<u>1,937,639</u>	<u>201,569</u>	<u>173,949</u>

Segment revenue by products and services:

	For the six months ended 30 June,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Sale of software and hardware products	184,062	28,414
Professional Services Business (PSG)	777,757	751,291
Outsourcing Services Business (OSG)	1,160,716	960,495
Emerging Services Business (ESG)	220,487	149,991
Training Business	45,729	47,448
	<u>2,204,689</u>	<u>1,909,225</u>
	<u>2,388,751</u>	<u>1,937,639</u>

Reconciliation of segment results to profit before taxation:

	For the six months ended 30 June,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Segment results	201,569	173,949
Other income, gains and losses	(17)	258
Loan interest	(10,383)	(7,832)
Corporate expenses	(29,588)	(27,493)
Share option expenses	(2,152)	(8,153)
Effective interest on convertible loan notes	(5,108)	(6,561)
	<hr/>	<hr/>
Profit before taxation	<u>154,321</u>	<u>124,168</u>

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,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on borrowings wholly repayable within five years	34,457	28,967
Effective interest on convertible loan notes	5,108	6,561
	<hr/>	<hr/>
	<u>39,565</u>	<u>35,528</u>

5. TAXATION

	For the six months ended 30 June,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Tax charge comprises:		
PRC Enterprise Income Tax	9,205	8,720
Hong Kong Profits Tax	–	–
The US Federal and State Income taxes	1,937	184
Japan Income Tax	119	176
	<hr/>	<hr/>
	11,261	9,080
	<hr/> <hr/>	<hr/> <hr/>

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 2014 and interim dividend for the period ended 30 June 2015 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,	
	2015	2014
	RMB'000	RMB'000
Earnings for the purposes of calculating basic and diluted earnings per share	139,670	101,265
	Number of shares	
	2015	2014
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,932,078,587	1,859,301,250
Effect of dilutive potential ordinary shares:		
Issuable under the Company's share option scheme	148,005,652	28,780,395
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	2,080,084,239	1,888,081,645

The computation of diluted earnings per share for the period ended 30 June 2014 and 30 June 2015 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)	(Audited)
	30 June,	31 December,
	2015	2014
	RMB'000	RMB'000
Trade receivables	861,039	667,518
Less: Allowance for doubtful debts	(132,507)	(132,198)
	728,532	535,320
Trade receivables from related companies	575,656	460,551
	1,304,188	995,871
Advances to suppliers	54,966	85,830
Deposits, prepayments and other receivables	255,107	214,836
Loan to staff	–	19,244
	1,614,261	1,315,781

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, 2015 <i>RMB'000</i>	(Audited) 31 December, 2014 <i>RMB'000</i>
Within 90 days	862,948	734,189
Between 91-180 days	171,097	105,568
Between 181-365 days	215,852	146,405
Between 1-2 years	47,133	6,383
Over 2 years	7,158	3,326
	<u>1,304,188</u>	<u>995,871</u>

The fair value of the Group's trade and other receivables at 30 June 2015 was approximately equal to the corresponding carrying amount.

9. TRADE AND OTHER PAYABLES

	(Unaudited) 30 June, 2015 <i>RMB'000</i>	(Audited) 31 December, 2014 <i>RMB'000</i>
Trade payables	478,540	336,422
Deposits received from customers	59,155	65,486
Other payables and accrued charges	319,268	369,944
	<u>856,963</u>	<u>771,852</u>

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, 2015 <i>RMB'000</i>	(Audited) 31 December, 2014 <i>RMB'000</i>
Within 90 days	170,757	111,143
Between 91-180 days	64,566	26,588
Between 181-365 days	66,908	19,213
Between 1-2 years	133,189	138,117
Over 2 years	43,120	41,361
	<u>478,540</u>	<u>336,422</u>

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

The fair value of the Group's trade and other payables at 30 June 2015 was approximately equal to the corresponding carrying amount.

10. BORROWINGS

	(Unaudited) 30 June, 2015 <i>RMB'000</i>	(Audited) 31 December, 2014 <i>RMB'000</i>
Unsecured bank loans (<i>Note (i)</i>)	1,298,940	1,287,073
Secured bank loans (<i>Note (ii)</i>)	200,000	15,117
	<u>1,498,940</u>	<u>1,302,190</u>
	(Unaudited) 30 June, 2015 <i>RMB'000</i>	(Audited) 31 December, 2014 <i>RMB'000</i>
Carrying amount repayable:		
Within one year	839,087	628,544
More than one year, but not exceeding two years	32,490	–
More than two years, but not exceeding five years	112,800	–
More than five years	83,790	62,000
	<u>1,068,167</u>	<u>690,544</u>
Carrying amount of bank loans that are repayable on demand due to breach of loan covenants	430,773	611,646
Less: Amounts due within one year shown under current liabilities	<u>(1,269,860)</u>	<u>(1,240,190)</u>
Amounts shown under non-current liabilities	<u>229,080</u>	<u>62,000</u>

	(Unaudited) 30 June, 2015 RMB'000	(Audited) 31 December, 2014 RMB'000
Total borrowings		
At fixed interest rates	629,860	478,624
At floating interest rates (<i>Note (iii)</i>)	869,080	823,566
	<u>1,498,940</u>	<u>1,302,190</u>
	(Unaudited) 30 June, 2015 RMB'000	(Audited) 31 December, 2014 RMB'000
Analysis of borrowings by currency		
Denominated in RMB	998,400	613,444
Denominated in USD	500,540	688,746

Notes:

- (i) Guaranteed by the Company and certain subsidiaries of the Company.
- (ii) The bank loans amount to RMB200,000,000 (2014: RMB12,000,000) are secured by the leasehold land and construction in progress of the Group.
- (iii) Interests on RMB borrowings are charged at interest rates announced by the People's Bank of China. The average interest rate during the first half year of 2015 is 5.56% (2014: 5.89%) per annum.

In accordance with the Group's announcement on 3 May 2015, the Group has failed to comply with the provisions of the syndicated loan agreement ("non-compliance") after the Group disclosed its "change in shareholding structure" and "financial non-compliance". The syndicate has been notified of the non-compliance and, as of the writing of this interim report, has not requested the Group for the immediate repayment of the loan. The Group has been negotiating with the syndicate and applied for an exemption on the provisions. The formal approval letter of the exemption is currently pending.

The Group has commenced the repayment of the loan. During the reporting period, the Group repaid USD30 million out of the total USD100 million loan. As of 30 June 2015, the outstanding loan amount is USD70 million. The Group believes that the financial position of the Group remained strong and have sufficient resources to fulfill its loan agreements, bank financing and other debt requirements.

13. RELATED PARTY TRANSACTIONS

- (i) During the relevant periods in 2014 and 2015, the Group had the following transactions with the following related parties:

		For the six month ended 30 June,	
		2015	2014
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Provision of IT outsourcing services			
– Huawei Group	(a)	784,116	596,070

Note:

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

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

14. EMPLOYEE AND OTHER INFORMATION

The remuneration for the employees of the Group amounted to approximately RMB1,518,000,000, including the directors' emoluments of approximately RMB3,160,000 during the six months ended 30 June 2015 (2014: approximately RMB1,332,000,000, including the directors' emoluments of approximately RMB2,061,000). The increase in employee remuneration resulted from the increase in the number of employees from 23,989 to 27,847.

The amortisation charge of intangible assets and depreciation during the six months ended 30 June 2015 of the Group amounted to approximately RMB46,326,000 (2014: RMB40,350,000) and approximately RMB32,690,000 (2014: RMB30,224,000), respectively.

DIRECTORS' INTERESTS IN SHARES

As 30 June 2015, 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 2015
Chen Yuhong	264,392,861	12.97%
Tang Zhenming	11,827,765	0.58%
Wang Hui	18,281,838	0.90%
Zeng Zhijie	250,000	0.01%

Options to subscribe for Shares

Name of Director	Exercise Price (HK\$)	No. of share options outstanding as at 1 January 2015	No. of share options exercised during the period	No. of share options outstanding as at 30 June 2015	Percentage of total issued ordinary share capital of the Company as at 30 June 2015	No of underlying ordinary shares interested in	Percentage of total issued ordinary share capital of the Company as at 30 June 2015	Note
Chen Yuhong	2.15	10,000,000	-	10,000,000	0.49%	10,000,000	0.49%	(3)
Tang Zhenming	0.97	800,000	-	800,000	0.04%	12,800,000	0.63%	(1)
	1.78	2,000,000	-	2,000,000	0.10%			(2)
	2.15	10,000,000	-	10,000,000	0.49%			(3)
Wang Hui	1.78	1,200,000	-	1,200,000	0.06%	11,200,000	0.55%	(2)
	2.15	10,000,000	-	10,000,000	0.49%			(3)

Notes:

- (1) These share options were offered on 30 March 2006 under the share option scheme of the Company adopted on 2 June 2003 and accepted on 27 April 2006. These share options are exercisable for a period of 10 years from the date of offer, subject to the following conditions:

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

- (2) These share options were offered on 10 April 2007 under the share option scheme of the Company adopted on 2 June 2003 and accepted on 8 May 2007. These share options are exercisable for a period of 10 years from the date of offer, subject to the following conditions:

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

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

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

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

SHARE OPTION SCHEME

As at 31 December 2014, share options allowing for the subscription of an aggregate of 153,445,000 Shares granted to certain Directors and employees of the Group pursuant to the Share Option Scheme and the New Share Option Scheme outstanding, representing 8.2% of the total issued ordinary share capital of the Company as at 31 December 2014.

During the six months ended 30 June 2015, an aggregate of 6,000,000 share options were exercised, no share option has been lapsed and granted under the Share Option Scheme.

As at 30 June 2015, there were share options to subscribe for an aggregate of 147,445,000 Shares granted to certain Directors and employees of the Group pursuant to the Share Option Scheme and the New Share Option Scheme outstanding, representing 7.2% of the total issued ordinary share capital of the Company as at 30 June 2015.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, during the six months ended 30 June 2015 none of the Directors was granted options to subscribe for shares of the Company and as at 30 June 2015 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 2015, 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 2015.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2015, the board of directors of the Company believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. The code provisions in the Corporate Governance Code and Corporate Governance Report of the Listing Rules (the "Code") have served as guideposts for the Company to follow in its implementation of corporate governance measures.

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

In the opinion of the Board, the Group has complied with the Code from 1 January 2015 to 30 June 2015, except that (i) the Chairman of the Board was not able to attend the annual general meeting of the Company held on 18 May 2015 (the "2014 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 2014 AGM; (ii) the roles of chairman and chief executive officer should be separate and should not be performed by the same individual (deviated from code provision A.2.1).

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rule relating to dealings in securities. Having made specific enquiry of all the Directors, the Directors complied with the Model Code regarding securities transactions by the Directors throughout the year ended 30 June 2015.

SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors, as at 30 June 2015, 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
Prime Partners Development Limited (Note 1)	Beneficial interest	139.07	6.82%	6.63%

* The total number of issued share consists of 2,038,787,757 Ordinary Shares and 58,202,474 Convertible Notes, which could be converted into 58,202,474 Ordinary Shares.

Note:

1. Dr. Chen Yuhong is deemed to be interested in 139,072,725 shares and through Prime Partners Development Limited, which is wholly owned by Dr. Chen Yuhong.

Save as disclosed above, as at 30 June 2015, 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 2015, 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.

CONNECTED TRANSACTIONS

The independent non-executive directors reviewed the connected transactions set out in note 13 to the consolidated financial statements, and confirmed that, during the current reporting period and the year ended 31 December 2014, such transactions were entered into: (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms, or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Each year, the Company's auditor is engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

For the year ended 31 December 2014, the auditor of the Company also confirmed that the continuing connected transactions: (i) nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board; (ii) for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company; (iii) nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) with respect to the aggregate amount of the continuing connected transactions, nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the relevant announcements of the Company in respect of each of the disclosed continuing connected transactions.

AUDIT COMMITTEE

The Company established an audit committee on 2 June 2003 and amended its written terms of reference in compliance with the requirements as set out in the Code on Corporate Governance Practices of the Listing Rules. The primary duties of the audit committee are to review and to supervise the financial reporting process and internal control system of the Group. The audit committee comprises of three independent non-executive directors, namely Mr. Zeng Zhijie, Dr. Leung Wing Yin Patrick and Dr. Lai Guanrong (appointed on 2 June 2015). 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 2015.

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 2015.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company has maintained sufficient public float for the six months ended 30 June 2015.

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

18 August 2015 Hong Kong

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

Executive Directors:

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

Non-executive Director:

Dr. ZHANG Yaqin

Independent Non-executive Directors:

Mr. ZENG Zhijie, Dr. LEUNG Wing Yin, Dr. LAI Guanrong

* *For identification purpose only*