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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 2012

**HIGHLIGHTS**

**Results for the first half of 2012**

<b>Income statement highlights</b>	<b>For the six months ended 30 June</b>		<b>% Increase (over the same period last year)</b>
	<b>(unaudited) 2012</b>	<b>(unaudited) 2011</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	
Revenue	<b>1,173,504</b>	945,595	24.1%
Revenue from service	<b>1,110,874</b>	852,382	30.3%
Gross profit	<b>360,700</b>	308,448	16.9%
<b>Profit for the period</b>	<b>65,437</b>	7,532*	768.8%
EBITDA	<b>141,776</b>	127,262	11.4%

\* Profit for the period for 2011 included a charge relating to changes in fair value of redeemable convertible preferred shares; without this non-cash charge, the 2011 figure would have been RMB60,589K. On this more comparable basis, profit for the period for 2012 would have been 8.0% higher than that of the same period for 2011.

<b>Statement of financial position highlights</b>	<b>(unaudited) 30 June</b>	<b>(audited) 31 December</b>	<b>% Increase</b>
	<b>2012</b>	<b>2011</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	
Total assets	<b>3,046,934</b>	2,947,534	3.4%
Total liabilities	<b>(1,119,973)</b>	(1,143,849)	(2.1)%
Total equity	<b>1,926,961</b>	1,803,685	6.8%

- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012.
- No closure for the Register of Members of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Key Operating Data

Key data (unaudited) presented based on the consolidated statement of comprehensive income are as follows:

	<b>First half of 2012 RMB'000</b>	First half of 2011 RMB'000	% Increase (over the same period last year)
<b>Revenue</b>	<b>1,173,504</b>	945,595	24.1%
<b>Service Revenue*</b>	<b>1,110,874</b>	852,382	30.3%
Cost of sales	<u>(812,804)</u>	<u>(637,147)</u>	27.6%
<b>Gross profit</b>	<b>360,700</b>	308,448	16.9%
Other income, gains and losses	<b>18,364</b>	18,529	-0.9%
Selling and distribution costs	<b>(65,242)</b>	(64,654)	0.9%
Administrative expenses	<b>(193,283)</b>	(150,689)	28.3%
Allowance for doubtful debts	<b>(172)</b>	(1,880)	-90.9%
Amortisation of intangible assets	<b>(23,826)</b>	(24,766)	-3.8%
Finance costs	<b>(14,260)</b>	(10,572)	34.9%
Share of results of associates	<b>258</b>	1,393	-81.5%
Profit before taxation	<b>82,539</b>	75,809	8.9%
Taxation	<u>(17,102)</u>	<u>(15,220)</u>	12.4%
<b>Profit for the period***</b>	<b>65,437</b>	60,589	8.0%
+Taxation	<b>17,102</b>	15,220	12.4%
+Finance costs	<b>14,260</b>	10,572	34.9%
+Depreciation of property, plant and equipment	<b>21,409</b>	17,508	22.3%
+Amortisation of intangible assets	<b>23,826</b>	24,766	-3.8%
-Share of results of associates	<u>258</u>	<u>1,393</u>	-81.5%
<b>EBITDA**</b>	<b>141,776</b>	127,262	11.4%
+Share option expenses	<b>3,626</b>	9,235	-60.7%
+Net foreign exchange (gain) loss	<b>23</b>	363	-93.7%
+Provision for doubtful debts	<u>172</u>	<u>1,880</u>	-90.9%
<b>Business contribution profit**</b>	<b>145,597</b>	138,740	4.9%

*Note\**: For the service revenue, please refer to the part on “revenue” in “operating results” below for detailed analysis.

*Note\*\**: EBITDA and business contribution profit (EBITDA excluding share option expenses, net foreign exchange (gain) loss and provision for doubtful debts) are the true reflection of the business’ earnings capability. Please refer to the part on “earnings capability” below for detailed analysis.

*Note\*\*\**: Profit for the period means the net profit excluding the changes in fair value of redeemable convertible preferred shares.

## General Overview

The growth in key operating data of the Group for the first half of 2012 is set out as follows:

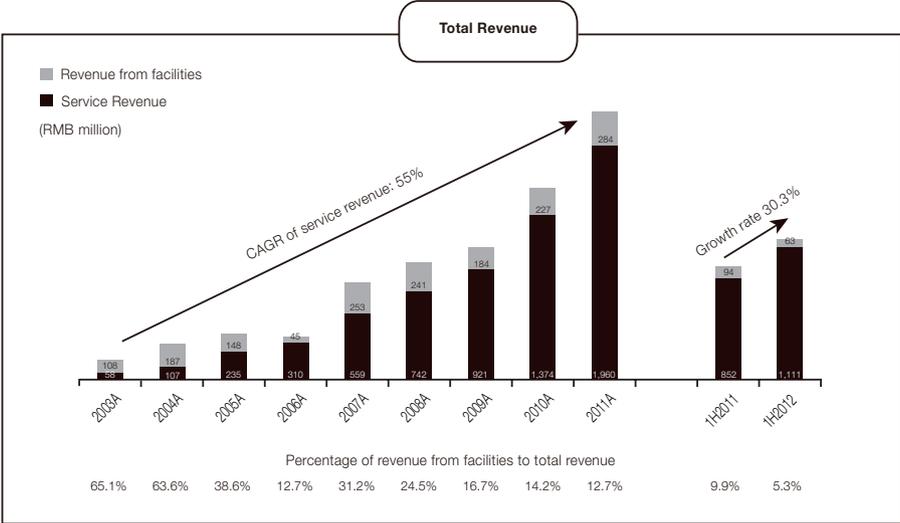
<i>RMB'000</i>	<b>First half of 2012</b>	First half of 2011	Growth rate
Revenue	<b>1,173,504</b>	945,595	24.1%
Service Revenue	<b>1,110,874</b>	852,382	30.3%
EBITDA	<b>141,776</b>	127,262	11.4%
Business contribution profit	<b>145,597</b>	138,740	4.9%

The growth in revenue, service revenue and results by business line for the first half of 2012 is set out as follows:

<i>RMB'000</i>	Revenue			Revenue from Service			Results		
	First half of 2012	First half of 2011	Growth rate	First half of 2012	First half of 2011	Growth rate	First half of 2012	First half of 2011	Growth rate
Professional Services Business (PSG)	<b>587,908</b>	493,384	19.2%	<b>525,278</b>	400,171	31.3%	<b>55,134</b>	48,294	14.2%
Outsourcing Services Business (OSG)	<b>551,124</b>	422,823	30.3%	<b>551,124</b>	422,823	30.3%	<b>61,576</b>	53,142	15.9%
Training Business	<b>34,472</b>	29,388	17.3%	<b>34,472</b>	29,388	17.3%	<b>1,325</b>	1,202	10.2%
<b>Total</b>	<b>1,173,504</b>	945,595	24.1%	<b>1,110,874</b>	852,382	30.3%	<b>118,035</b>	102,638	15.0%

*Note:* “Results” refer to the profit earned/loss incurred prior to distribution of impairment loss recognised on goodwill, corporate expenses, share-based payment and loss arising from fair value change of redeemable convertible preferred shares, and other income, gains and losses recorded at the Group level. (Extracted from note 3 to the consolidated financial statements)

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 38% and 55% over the period from 2003 to 2011 respectively. The Group’s service revenue for the first half of 2012 recorded 30.3% year-on-year growth. The details are set out as follows:



**Customers**

For the first half of 2012, service revenue from the top five customers accounted for 36.7% of the Group’s total service revenue, while service revenue from the top ten customers accounted for 42.7% of the Group’s total service revenue.

The Group had 727 active customers in the first half of 2012, 156 of which were new customers. As of 30 June 2012, the Group had 56 customers with service revenue of RMB6 million or more during the past four calendar quarters.

**Market**

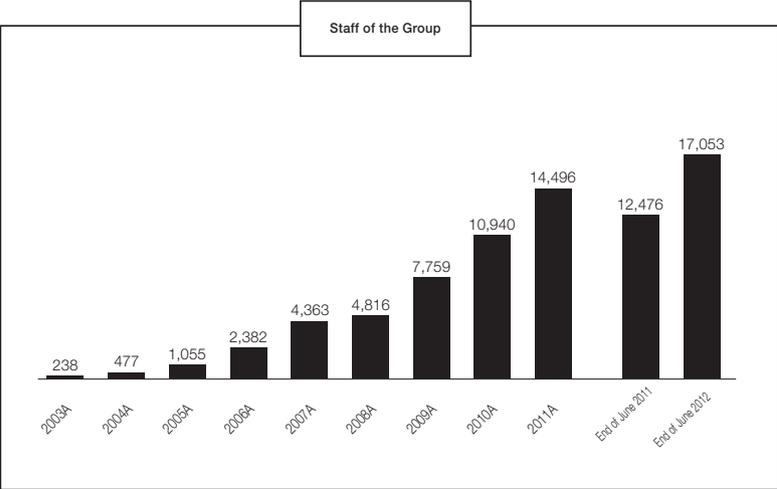
The Group operated its businesses mainly in Greater China.

In the first half of 2012, 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 2012, the Group had a total of 17,053 employees, representing an increase of 36.7% over 12,476 employees as of 30 June 2011.

Since the listing on the Growth Enterprise Market in 2003, the size of the Group’s personnel has maintained rapid growth. The details are set out as follows:



## Earnings Capability

In the first half of 2012, the Group's EBITDA was RMB141.776 million (first half of 2011: RMB127.262 million), representing a growth of 11.4% over the same period of previous year. Details of profit for the period to EBITDA reconciliation are set out as follows:

<i>RMB'000</i>	<b>First half of 2012</b>	First half of 2011	Growth rate
<b>Profit for the period</b>	<b>65,437</b>	60,589	8.0%
+Taxation	<b>17,102</b>	15,220	12.4%
+Finance costs	<b>14,260</b>	10,572	34.9%
+Depreciation of property, plant and equipment	<b>21,409</b>	17,508	22.3%
+Amortisation of intangible assets and prepaid lease payments	<b>23,826</b>	24,766	-3.8%
- Share of results of associates	<b>258</b>	1,393	-81.5%
<b>EBITDA</b>	<b>141,776</b>	127,262	11.4%

In the first half of 2012, the Group's business contribution profit was RMB145.597 million (first half of 2011: RMB138.740 million), representing a year-on-year growth of 4.9%. The ratio of business contribution profit margin to revenue was 12.4% (first half of 2011: the ratio of business contribution profit margin was 14.7%), representing a decrease of 2.3% over the same period of the previous year; the ratio of business contribution profit margin to service revenue was 13.1% (first half of 2011: the ratio of business contribution profit margin was 16.3%), representing a decrease of 3.2% over the same period of the previous year. Details from EBITDA to business contribution profit are set out as follows:

<i>RMB'000</i>	<b>First half of 2012</b>	First half of 2011	Growth rate
<b>EBITDA</b>	<b>141,776</b>	127,262	11.4%
+Share option expenses	<b>3,626</b>	9,235	-60.7%
+Net foreign exchange (gain) loss	<b>23</b>	363	-93.7%
+Allowance for doubtful debts	<b>172</b>	1,880	-90.9%
<b>Business contribution profit</b>	<b>145,597</b>	138,740	4.9%

## OPERATING RESULTS

The following chart sets out the Group's consolidated statement of comprehensive income for first half of 2012 and 2011 (unaudited):

	First half of 2012 RMB'000	Percentage of revenue	Percentage of service revenue	First half of 2011 RMB'000	Percentage of revenue	Percentage of service revenue
<b>Revenue</b>	<b>1,173,504</b>			945,595		
<i>Service Revenue</i>	<i>1,110,874</i>			852,382		
Cost of sales	(812,804)	-69.3%		(637,147)	-67.4%	
<b>Gross profit</b>	<b>360,700</b>	<b>30.7%</b>	<b>32.5%</b>	308,448	32.6%	36.2%
Other income, gains and losses	18,364	1.6%	1.7%	18,529	2.0%	2.2%
Selling and distribution costs	(65,242)	-5.6%	-5.9%	(64,654)	-6.8%	-7.6%
Administrative expenses	(193,283)	-16.5%	-17.4%	(150,689)	-15.9%	-17.7%
Allowance for doubtful debts	(172)	-0.01%	-0.02%	(1,880)	-0.2%	-0.2%
Amortisation of intangible assets	(23,826)	-2.0%	-2.1%	(24,766)	-2.6%	-2.9%
Finance costs	(14,260)	-1.2%	-1.3%	(10,572)	-1.1%	-1.2%
Share of results of associates	258	0.02%	0.02%	1,393	0.1%	0.2%
Loss arising from changes in fair value of redeemable convertible preferred shares	-	-	-	(53,057)	-5.6%	-6.2%
Profit before taxation	82,539	7.0%	7.4%	22,752	2.4%	2.7%
Taxation	(17,102)	-1.5%	-1.5%	(15,220)	-1.6%	-1.8%
<b>Profit for the period</b>	<b>65,437</b>	<b>5.6%</b>	<b>5.9%</b>	<b>7,532</b>	<b>0.8%</b>	<b>0.9%</b>

## Comparison of the results of the first half of 2012 and 2011:

### REVENUE

In the first half of 2012, revenue of the Group amounted to RMB1,173.504 million (First half of 2011: RMB945.595 million), representing a growth of 24.1% compared to that of the previous year. Of which, service revenue was RMB1,110.874 million (First half of 2011: RMB852.382 million), representing a growth of 30.3% over the same period last year, which was mainly attributable to the growth of revenue from both Professional Services Business (PSG) and Outsourcing Services Business (OSG).

Service revenue of the Group by business segment for the first half of 2012 as compared with the corresponding period of last year as follows:

<i>RMB (in thousand)</i>	<b>First half of 2012</b>	<b>Weight</b>	First half of 2011	Weight	Growth Rate
Professional Services Business (PSG)	<b>525,278</b>	<b>47.3%</b>	400,171	47.0%	31.3%
Outsourcing Services Business (OSG)	<b>551,124</b>	<b>49.6%</b>	422,823	49.6%	30.3%
Training Services	<b>34,472</b>	<b>3.1%</b>	29,388	3.4%	17.3%
Total Service Revenue	<b>1,110,874</b>	<b>100.0%</b>	852,382	100.0%	30.3%

The Group's service revenue by contract model in the first half of 2012 and as compared with the corresponding period of the previous year are set out as follows:

<i>RMB'000</i>	<b>First half of 2012</b>	<b>Weight</b>	First half of 2011	Weight
<b>Service revenue</b>	<b>1,110,874</b>		852,382	
Fixed Price	<b>548,271</b>	<b>49.4%</b>	422,101	49.5%
Time & Raw Material	<b>511,412</b>	<b>46.0%</b>	398,310	46.7%
Volume Base	<b>51,191</b>	<b>4.6%</b>	31,971	3.8%
Total	<b>1,110,874</b>	<b>100.0%</b>	852,382	100.0%

### COST OF MAIN BUSINESSES

In the first half of 2012, cost of the Group's main businesses accounted for 69.3% of the revenue (first half of 2011: 67.4%), representing an increase of 1.9% over the same period of the previous year. Cost of main businesses of the Group amounted to RMB812.804 million (first half of 2011: RMB637.147 million), representing an increase of 27.6% over the same period last year.

## **GROSS PROFIT**

In the first half of 2012, the Group's gross profit was approximately RMB360.700 million (first half of 2011: RMB308.448 million), representing an increase of 16.9% over the first half of 2011. The Group's gross profit margin was 30.7% (first half of 2011: 32.6%), representing a decrease of 1.9% compared with that of the previous year. The gross profit margin for service revenue was 32.5% in the first half of 2012 (first half of 2011: 36.2%), representing a decrease of 3.7%.

The decrease of the gross profit margin was mainly attributable to the continued rise in labor costs, the Group will adopt the following measures to alleviate pressure posted by the rising labor cost:

First, with the commencement on Xi'an station's construction, the Group will continue setting up its submission centers in "third-tier cities" to reduce the pressure posted by the rising labor cost;

Second, the Group will increase the extent of re-use of technology and solutions through continuous R&D input to lower direct cost ratio.

## **OTHER INCOME, GAINS AND LOSSES**

In the first half of 2012, other income, gains and losses amounted to RMB18.364 million (first half of 2011: RMB18.529 million), representing a basically similar level comparing with the same period of the previous year.

## **OPERATING EXPENSES**

In the first half of 2012, selling and distribution costs amounted to RMB65.242 million (first half of 2011: RMB64.654 million), representing a basically similar level comparing with the first half of 2011, and the proportion of selling and distribution costs to revenue was 5.6% as compared to 6.8% in the first half of 2011, representing a decrease of 1.2%. The proportion of selling and distribution costs to service revenue was 5.9%, a decrease of 1.7% compared with 7.6% for the same period of 2011. Typically, selling and distribution costs of the Group accounts for 6%-8% to service revenue and the figure for the first half of the year largely falls into this range.

In the first half of 2012, administrative expenses amounted to RMB193.283 million (first half of 2011: RMB150.689 million), representing an increase of 28.3% over the same period in 2011. The proportion of administrative expenses to revenue was 16.5%, an increase of 0.6% compared with 15.9% for 2011. The proportion of administrative expenses to service revenue was 17.4%, a decrease of 0.3% compared with 17.7% for 2011.

## **EBITDA AND BUSINESS CONTRIBUTION PROFIT**

In the first half of 2012, the Group recorded an EBITDA of RMB141.776 million (first half of 2011: RMB127.262 million), representing an increase of 11.4% over the same period of the previous year.

In the first half of 2012, business contribution profit amounted to RMB145.597 million (first half of 2011: RMB138.740 million), representing an increase of 4.9% over the past year. In the first half of 2012, the business contribution profit margin dropped by 2.3% over the same period of 2011 to 12.4%. Business contribution profit margin based on service revenue was 13.1%, representing a decrease of 3.2% over the same period of 2011.

#### **OTHER NON-CASH EXPENSES**

In the first half of 2012, depreciation of property, plant and equipment to revenue was 1.8%, representing a similar level compared with 1.9% for the first half of 2011. Depreciation of property, plant and equipment amounted to RMB21.409 million (first half of 2011: RMB17.508 million), representing an increase of 22.3% over the first half of 2011, mainly attributable to the increase in depreciation due to purchase of fixed assets during the period to address its personnel expansion.

In the first half of 2012, amortisation of intangible assets to revenue was 2.0%, a decrease of 0.6% as compared with 2.6% in the same period in the first half of 2011. Amortisation of intangible assets amounted to RMB23.826 million (first half of 2011: RMB24.766 million), representing a decrease of 3.8% over the first half of 2011.

In the first half of 2012, share option expense to revenue was 0.3%, a decrease of 0.7% as compared with 1.0% in the same period of 2011. Share option expense in the first half of 2012 amounted to RMB3.626 million (first half of 2011: RMB9.235 million).

In the first half of 2012, allowance for bad debt amounted to RMB172 thousand (first half of 2011: RMB1.880 million), representing a year-on-year decrease of 90.9%.

In the first half of 2012, the Group had no impairment loss recognised in respect of goodwill (nil for the same period in the previous year).

In the first half of 2012, the Group had no profit or loss arising from changes in fair value of redeemable convertible preferred shares (first half of 2011: loss arising from changes in fair value of redeemable convertible preferred shares amounted to RMB53.057 million).

#### **PROFIT FOR THE PERIOD AND EARNINGS PER SHARE**

In the first half of 2012, the Group achieved a profit of RMB65.437 million (first half of 2011: RMB7.532 million), representing a year-on-year increase of 768.8%.

In the first half of 2012, the Group recorded a profit for the period of RMB65.437 million (first half of 2011: RMB60.589 million, excluding the effect of loss arising from changes in fair value of redeemable convertible preferred shares), representing an year-on-year increase of 8.0%. Profit for the period to revenue ratio was approximately 5.6% (first half of 2011: 6.4%), representing a decrease of 0.8% over the same period of last year; profit for the period to service revenue was approximately 5.9% (first half of 2011: 7.1%), representing an decrease of 1.2% over the same period of last year. The decrease of profit to revenue ratio is mainly due to the decrease in gross margins which was in turn cause mainly by rising labor cost.

Based on the said profit for the period, earnings per share for the first half of 2012 amounted to approximately RMB0.037 (first half of 2011: RMB0.048, excluding the effect of loss arising from changes in fair value of redeemable convertible preferred shares), representing a decrease of 23% over the same period of last year. This decrease in earnings per share (even as our profit for the period for 2012 was higher compared to the period in 2011) was due to the rise in the number of ordinary shares outstanding in the second half of 2011. Most of this increase in shares outstanding was the result of conversion of preferred shares, held by preferred shareholders including Microsoft, into ordinary shares and also from new shares issued to Hony Capital. Combined, these two events expanded our ordinary share base by approximately 26%.

## INTERIM RESULTS

The board of Directors (the “Board”) of Chinasoftware 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, 2012 with corresponding figures as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

		<b>For the six months ended 30 June,</b>	
		<b>2012</b>	<b>2011</b>
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	3	<b>1,173,504</b>	945,595
Cost of sales		<b>(812,804)</b>	(637,147)
Gross profit		<b>360,700</b>	308,448
Other income, gains and losses		<b>18,364</b>	18,529
Selling and distribution costs		<b>(65,242)</b>	(64,654)
Administrative expenses		<b>(193,283)</b>	(150,689)
Allowance for doubtful debts		<b>(172)</b>	(1,880)
Amortisation of intangible assets		<b>(23,826)</b>	(24,766)
Finance costs	4	<b>(14,260)</b>	(10,572)
Share of result of associates		<b>258</b>	1,393
Loss arising from changes in fair value of redeemable convertible preferred shares		–	(53,057)
Profit before taxation		<b>82,539</b>	22,752
Taxation	5	<b>(17,102)</b>	(15,220)
Profit for the period		<b>65,437</b>	7,532
Other comprehensive income			
Exchange differences arising on transaction of foreign operations		<b>(1,444)</b>	(679)
Total comprehensive income for the period		<b>63,993</b>	6,853
Profit for the period attributable to:			
Owners of the Company		<b>59,724</b>	6,668
Non-controlling interests		<b>5,713</b>	864
		<b>65,437</b>	7,532
Total comprehensive income attributable to:			
Owners of the Company		<b>58,288</b>	6,004
Non-controlling interests		<b>5,705</b>	849
		<b>63,993</b>	6,853
Earnings per share	7		
– Basic (cents)		<b>3.65</b>	0.54
– Diluted (cents)		<b>3.48</b>	0.50

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30 June, 2012	(Audited) 31 December, 2011
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		136,104	131,456
Intangible assets		147,579	157,172
Goodwill		657,129	657,129
Interests in associates		25,809	25,551
Available-for-sale investment		25,035	25,000
Prepaid lease payments		418	469
Deferred tax assets		10,069	10,069
		<b>1,002,143</b>	1,006,846
<b>Current assets</b>			
Inventories		60,757	24,405
Trade and other receivables	8	1,029,551	760,648
Prepaid lease payments		153	178
Amounts due from associate		–	5,859
Amounts due from customers for contract work		425,700	363,683
Amount due from related companies		–	394
Pledged deposits		6,816	12,571
Bank balances and cash		521,814	772,950
		<b>2,044,791</b>	1,940,688
<b>Current liabilities</b>			
Trade and other payables	9	545,636	613,149
Bills payable		10,018	21,525
Amounts due to customers for contract work		88,512	56,142
Amounts due to related companies		20	3,765
Dividend payable to shareholders		76	75
Taxation payable		23,114	29,849
Borrowings		186,200	165,600
Consideration payable on acquisition of business		–	–
		<b>853,576</b>	890,105
Net current assets		<b>1,191,215</b>	1,050,583
Total assets less current liabilities		<b>2,193,358</b>	2,057,429

		(Unaudited) 30 June, 2012 <i>RMB'000</i>	(Audited) 31 December, 2011 <i>RMB'000</i>
	<i>Notes</i>		
Non-current liabilities			
Deferred tax liabilities		24,767	24,767
Borrowings		39,400	29,600
Consideration payable on acquisition of business		5,557	5,557
Convertible loan notes		196,673	193,820
		<u>266,397</u>	<u>253,744</u>
		<b><u>1,926,961</u></b>	<b><u>1,803,685</u></b>
Capital and reserves			
Share capital	10	78,963	77,879
Share premium		1,412,618	1,392,651
Reserves		311,662	255,142
		<u>1,803,243</u>	<u>1,725,672</u>
Equity attributable to equity holders of the Company		1,803,243	1,725,672
Non-controlling interests		123,718	78,013
		<u>1,926,961</u>	<u>1,803,685</u>
Total equity		<b><u>1,926,961</u></b>	<b><u>1,803,685</u></b>

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the company											
	Share capital	Share premium	Translation reserve	Share options reserve	Convertible loan notes reserve	General reserve fund	Statutory enterprise expansion fund	Statutory surplus reserve fund	Accumulated fund	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
At 1 January, 2011	61,133	807,664	(706)	80,480	36,522	15,793	15,136	7,661	12,765	1,036,448	65,555	1,102,003
Profit for the period	-	-	-	-	-	-	-	-	6,668	6,668	864	7,532
Exchange differences arising from translation of overseas operations	-	-	(664)	-	-	-	-	-	-	(664)	(15)	(679)
Total comprehensive income for the period	-	-	(664)	-	-	-	-	-	6,668	6,004	849	6,853
New issue of subscription share	6,237	225,211	-	-	-	-	-	-	-	231,448	-	231,448
New issue of shares upon exercise of share option	2,809	71,353	-	(19,187)	-	-	-	-	-	54,975	-	54,975
Recognition of equity-settled share based payments	-	-	-	9,235	-	-	-	-	-	9,235	-	9,235
At 30 June, 2011	<u>70,179</u>	<u>1,104,228</u>	<u>(1,370)</u>	<u>70,528</u>	<u>36,522</u>	<u>15,793</u>	<u>15,136</u>	<u>7,661</u>	<u>19,433</u>	<u>1,338,110</u>	<u>66,404</u>	<u>1,404,514</u>
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	<u>78,963</u>	<u>1,412,618</u>	<u>(2,818)</u>	<u>76,454</u>	<u>15,167</u>	<u>15,793</u>	<u>26,749</u>	<u>12,153</u>	<u>168,164</u>	<u>1,803,243</u>	<u>123,718</u>	<u>1,926,961</u>

## CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	<b>Six months ended</b>	
	<b>30 June,</b>	
	<b>2012</b>	<b>2011</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Net cash used in operating activities	<b>(288,282)</b>	(101,363)
Net cash used in investing activities	<b>(35,310)</b>	(64,693)
Net cash generated from financial activities	<b>73,308</b>	242,966
Net increase/(decrease) in cash and cash equivalents	<b>(250,284)</b>	76,910
Effect of foreign exchange rate changes	<b>(852)</b>	(798)
Cash and cash equivalents at the beginning of the period	<b>772,950</b>	484,172
Cash and cash equivalents at the end of the period	<b><u>521,814</u></b>	<b><u>560,284</u></b>

## 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, 2011.

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

Amendments to HKFRSs HKAS 24 (as revised in 2009)	Improvements to HKFRSs issued in 2010 Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK (IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

### 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	
	2012	2011	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Professional Services Business (PSG)	<b>587,908</b>	493,384	<b>55,134</b>	48,294
Outsourcing Services Business (OSG)	<b>551,124</b>	422,823	<b>61,576</b>	53,142
Training Business	<b>34,472</b>	29,388	<b>1,325</b>	1,202
	<b><u>1,173,504</u></b>	<u>945,595</u>	<b><u>118,035</u></b>	<u>102,638</u>

Segment revenue by products and services:

	For the six months ended 30 June,	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Sale of software and hardware products	<b>62,630</b>	93,213
Professional Services Business (PSG)	<b>525,278</b>	400,171
Outsourcing Services Business (OSG)	<b>551,124</b>	422,823
Training Business	<b>34,472</b>	29,388
	<b><u>1,110,874</u></b>	<u>852,382</u>
	<b><u>1,173,504</u></b>	<u>945,595</u>

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

	For the six months ended 30 June,	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Segment results	<b>118,035</b>	102,638
Other income, gains and losses	<b>667</b>	8,520
Corporate expenses	<b>(29,096)</b>	(29,620)
Effective interest on convertible loan notes	<b>(7,067)</b>	(5,729)
Loss arising from changes in fair value of redeemable convertible preferred shares	<b>–</b>	(53,057)
Profit before taxation	<b><u>82,539</u></b>	<u>22,752</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, loss arising from changes in fair value of redeemable convertible preferred shares and certain items of other income, gains and losses recorded at corporate level. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

#### 4. FINANCE COSTS

	<b>For the six months ended 30 June,</b>	
	<b>2012</b>	2011
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Interest on borrowings wholly repayable within five years	<b>7,193</b>	4,681
Imputed interest expenses on consideration payable for acquisition of a business	–	162
Effective interest on convertible loan notes	<b>7,067</b>	5,729
	<u>14,260</u>	<u>10,572</u>
	<b><u>14,260</u></b>	<b><u>10,572</u></b>

#### 5. TAXATION

	<b>For the six months ended 30 June,</b>	
	<b>2012</b>	2011
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Tax charge comprises:		
PRC Enterprise Income Tax	<b>16,142</b>	15,220
Hong Kong Profits Tax	–	–
The US Federal and State Income taxes	<b>5</b>	–
Japan Income Tax	<b>955</b>	–
	<u>17,102</u>	<u>15,220</u>
	<b><u>17,102</u></b>	<b><u>15,220</u></b>

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, 2011 and interim dividend for the period ended 30 June, 2012 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,	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings for the purposes of calculating basic and diluted earnings per share	<u>59,724</u>	<u>6,668</u>
	Number of shares	
	2012	2011
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>1,636,163,049</u>	<u>1,245,531,132</u>
Effect of dilutive potential ordinary shares:		
Issuable under the Company's share option scheme	<u>80,235,168</u>	<u>99,252,009</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>1,716,398,217</u>	<u>1,344,783,141</u>

The computation of diluted earnings per share for the period ended 30 June 2011 did not assume the conversion of the redeemable convertible preferred shares or convertible loan notes as the conversion would result in an increase in the diluted earnings per share.

The computation of diluted earnings per share for the period ended 30 June 2012 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, 2012 <i>RMB'000</i>	(Audited) 31 December, 2011 <i>RMB'000</i>
Trade receivables	945,199	717,577
Less: Allowance for doubtful debts	(72,166)	(79,307)
	<u>873,033</u>	<u>638,270</u>
Trade receivables from related companies	2,079	1,664
Trade receivables from associates	–	–
	<u>875,112</u>	<u>639,934</u>
Advances to suppliers	66,445	39,296
Deposits, prepayments and other receivables	87,994	81,418
	<u>1,029,551</u>	<u>760,648</u>

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

	(Unaudited) 30 June, 2012 <i>RMB'000</i>	(Audited) 31 December, 2011 <i>RMB'000</i>
Within 90 days	556,275	483,793
Between 91-180 days	138,341	80,316
Between 181-365 days	132,555	39,804
Between 1-2 years	38,441	30,293
Over 2 years	9,500	5,728
	<u>875,112</u>	<u>639,934</u>

The fair value of the Group's trade and other receivables at 30 June, 2012 was approximately equal to the corresponding carrying amount.

## 9. TRADE AND OTHER PAYABLES

	(Unaudited) 30 June, 2012 <i>RMB'000</i>	(Audited) 31 December, 2011 <i>RMB'000</i>
Trade payables	312,487	283,359
Trade payable to a related company	964	–
	<u>313,451</u>	<u>283,359</u>
Deposits received from customers	54,826	41,505
Other payables and accrued charges	177,359	288,285
	<u>545,636</u>	<u>613,149</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, 2012 <i>RMB'000</i>	(Audited) 31 December, 2011 <i>RMB'000</i>
Within 90 days	206,835	161,373
Between 91-180 days	29,996	20,780
Between 181-365 days	32,336	20,811
Between 1-2 years	24,814	65,345
Over 2 years	19,470	15,050
	<u>313,451</u>	<u>283,359</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, 2012 was approximately equal to the corresponding carrying amount.

## 10. SHARE CAPITAL

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

	Number of shares	Nominal amount HK\$
<b>Authorised</b>		
At 1 January, 2011	2,000,000,000	100,000,000
Addition ( <i>note a</i> )	2,000,000,000	100,000,000
	<u>4,000,000,000</u>	<u>200,000,000</u>
At 30 June, 2011, 1 January, 2012 and 30 June 2012	<u>4,000,000,000</u>	<u>200,000,000</u>

	Number of shares	Nominal amount HK\$	Amount shown in the financial statements RMB'000
<b>Issued and fully paid</b>			
At 1 January, 2011	1,214,327,259	60,716,363	61,133
Exercise of options	67,203,000	3,360,150	2,809
Issue of consideration shares	150,000,000	7,500,000	6,237
	<u>1,431,530,259</u>	<u>71,576,513</u>	<u>70,179</u>
At 30 June, 2011	1,431,530,259	71,576,513	70,179
Exercise of options	26,198,400	1,309,920	1,072
Conversion of redeemable convertible preferred shares	164,500,000	8,225,000	6,628
	<u>1,622,228,659</u>	<u>81,111,433</u>	<u>77,879</u>
At 31 December, 2011 and 1 January, 2012	1,622,228,659	81,111,433	77,879
Exercise of options	26,659,000	1,332,950	1,084
	<u>1,648,887,659</u>	<u>82,444,383</u>	<u>78,963</u>

#### Notes:

- (a) Pursuant to written resolution of the shareholders passed on 18 May, 2011, inter alia, the authorised ordinary share capital of the Company was increased from HK\$100,000,000 divided into 2,000,000,000 ordinary shares of HK\$0.05 each to HK\$200,000,000 divided into 4,000,000,000 ordinary shares of HK\$0.05 each.

## 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 2011 and 2012, the Group had the following transactions with the following related parties:

		<b>For the six month ended 30 June,</b>	
	<i>Notes</i>	<b>2012</b>	2011
		<b>RMB'000</b>	<b>RMB'000</b>
Provision of IT outsourcing services			
– 大連中軟軟件有限公司	(a)	–	156
– 日本國株式會社CDI	(b)	<b>4,939</b>	–
Rental expenses			
– Chinasoft National Software and Service Company Limited (“CNSS”)	(c)	–	2,285

*Notes:*

- (a) 大連中軟軟件有限公司 is a subsidiary of CNSS, CNSS ceased to be a connected person of the Company as its interest in the shares of the Company dropped below 10% during June 2011.
- (b) 日本國株式會社CDI is a substantial shareholder of Dalian Digitall, a subsidiary of the Company.
- (c) Chinasoft National Software and Service Company Limited is a holding company of a shareholder of the Company. CNSS ceased to be a connected person of the Company as its interest in the shares of the Company dropped below 10% during June 2011 by disposal.
- (ii) Pursuant to a trademark license agreement (“Trademark Licence Agreement”) entered into between CNSS and the Company on 20 December, 2003, CNSS granted to the Company an exclusive right to use a trademark of 中軟總公司計算機培訓中心 as defined on the Trademark Licence Agreement for a period of 25 years for a consideration of RMB2,000,000. During the year ended 31 December, 2006, CNSS obtained the trademark registration certificate from the Trademark Bureau of the PRC and the Company recognised the amount as prepaid lease payments in the consolidated balance sheet. The effective period of the registration is from 21 March, 2006 to 20 March, 2016. At 30 June, 2012, the prepaid lease payments were analysed for reporting purposes as a non-current asset of RMB418,000 and current asset of RMB153,000 in the consolidated statement of financial position.

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 RMB698,451,000, including the directors' emoluments of approximately RMB2,290,000 during the six months ended 30 June, 2012 (2011: approximately RMB473,292,000, including the directors' emoluments of approximately RMB2,295,000). The increase in employee remuneration resulted from the increase in the number of employees from 12,476 to 17,053.

The amortisation charge of intangible assets and depreciation during the six months ended 30 June, 2012 of the Group amounted to approximately RMB23,826,000 (2011: RMB24,766,000) and approximately RMB21,409,000 (2011: RMB17,508,000), respectively.

### DIRECTORS' INTERESTS IN SHARES

As 30 June, 2012, 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, 2012
Zhao John Huan	271,476,453	16.46%
Chen Yuhong	115,320,136	6.99%
Tang Zhenming	11,747,765	0.71%
Jiang Xiaohai	6,872,447	0.42%
Wang Hui	6,277,838	0.38%
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, 2012	No. of share options exercised during the period	No. of share options outstanding as at 30 June, 2012	Percentage of total issued ordinary share capital of the Company as at 30 June, 2012	No. of underlying ordinary shares interested in	Note
Tang Zhenming	0.58	80,000	-	80,000	0.005%	4,180,000	(1)
	0.65	1,300,000	-	1,300,000	0.08%		(2)
	0.97	800,000	-	800,000	0.05%		(3)
	1.78	2,000,000	-	2,000,000	0.12%		(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:

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

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

## **SHARE OPTION SCHEME**

As at 30 June, 2012, there were share options to subscribe for an aggregate of 185,106,600 Shares granted to certain Directors and employees of the Group pursuant to the Share Option Scheme outstanding.

During the six months ended 30 June, 2012, an aggregate of 26,659,000 share options were exercised, an aggregate of 3,000,000 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, 2012 none of the Directors was granted options to subscribe for shares of the Company and as at 30 June, 2012 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, 2012, 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, 2012.

## THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June, 2012, the Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules, except that there is no separation of the roles of Chairman and Chief Executive Officer as stipulated in the code provision A.2.1. Dr. Chen Yuhong currently assumes the roles of both the Chairman and the Chief Executive Officer of the Company. The Board believes that by holding both roles Dr. Chen will be able to provide the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies of the Group. As such, the structure is beneficial to the business prospects of the Group.

## SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors, as at 30 June, 2012, 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	271.48	16.46%	15.38%
Hony Capital Fund 2008, L.P. (Note 1)	Interest of controlled corporation	271.48	16.46%	15.38%
Hony Capital Fund 2008 GP L.P. (Note 1)	Interest of controlled corporation	271.48	16.46%	15.38%
Hony Capital Fund 2008 GP Limited (Note 1)	Interest of controlled corporation	271.48	16.46%	15.38%
Hony Capital Management Limited (“Hony Capital”) (Note 1)	Interest of controlled corporation	271.48	16.46%	15.38%

<b>Name</b>	<b>Nature of interest</b>	<b>Approximate number of Shares (million)</b>	<b>Approximate percentage of ordinary share of the Company</b>	<b>Approximate percentage of total issued share* of the Company</b>
Zhao John Huan ( <i>Note 2</i> )	Interest of controlled corporation	271.48	16.46%	15.38%
Right Lane Limited ( <i>Note 2</i> )	Interest of controlled corporation	271.48	16.46%	15.38%
Legend Holdings Limited (“Legend Holdings”) ( <i>Note 3</i> )	Interest of controlled corporation	271.48	16.46%	15.38%
Chinese Academy of Sciences Holdings Co., Ltd. ( <i>Note 4</i> )	Interest of controlled corporation	271.48	16.46%	15.38%
Chinese Academy of Sciences ( <i>Note 4</i> )	Interest of controlled corporation	271.48	16.46%	15.38%
Beijing Lian Chi Zhi Yuan Management Consulting Center ( <i>Note 5</i> )	Interest of controlled corporation	271.48	16.46%	15.38%
Beijing Lian Chi Zhi Tung Management Consulting Ltd. ( <i>Note 5</i> )	Interest of controlled corporation	271.48	16.46%	15.38%
Greater Pacific Capital Partners, LP (“GPC”) ( <i>Note 6</i> )	Beneficial interest	119.27	7.23%	6.76%
EJF Capital LLC (“EJF”) ( <i>Note 7</i> )	Beneficial interest	116.40	7.06%	6.59%
Far East Holdings International Limited (“Far East Holdings”) ( <i>Note 8</i> )	Beneficial interest	113.40	6.88%	6.42%
Microsoft Corporation (“Microsoft”) ( <i>Note 9</i> )	Beneficial interest	97.25	5.90%	5.51%
China National Computer Software & Information Technology Service Corporation (Hong Kong) Limited (“CS&S(HK)”) ( <i>Note 10</i> )	Beneficial interest	50.32	3.05%	2.85%
Chinasoft National Software and Service Company Limited (“CNSS”) ( <i>Note 10</i> )	Interest of controlled corporation	50.32	3.05%	2.85%

\* *The total number of issued share consists of 1,648,887,659 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. EJP is an investment advisor registered under the Securities and Exchange Commission of the United States of America. EJP 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.
10. CNSS is taken to be interested in the Shares in which CS&S(HK) is interested. CNSS holds approximately 99.3% of the total voting rights of CS&S(HK).

Save as disclosed above, as at 30 June, 2012, 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, 2012, none of the Directors or the management shareholders of the Company and their respective associates (as defined under the Listing Rules) had any interest in a business which competed or might compete with the business of the Group.

## AUDIT COMMITTEE

The Company established an audit committee on 2 June, 2003 and amended its written terms of reference in compliance with the requirements as set out in the Code on Corporate Governance Practices of the Listing Rules. The primary duties of the audit committee are to review and to supervise the financial reporting process and internal control system of the Group. The audit committee comprises of three independent non-executive directors, namely Mr. Zeng Zhijie, Dr. Leung Wing Yin Patrick and 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, 2012.

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

During the six months ended 30 June, 2012, the Company purchased certain of its shares on the Stock Exchange and these shares were subsequently cancelled by the Company. The Company considered that it is the best way of enhancing shareholder value and that it is in the best interest of the shareholders to return a substantial part of the surplus funds to them. The summary details of those transactions are as follows:

	Number of Shares repurchased	Price per share		Total price paid <i>HK\$'000</i>
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
June 2012	<u>140,000</u>	1.96	1.92	<u>272,300</u>

The purchase of the Company's shares during the six months ended 30 June, 2012 was effected by the Directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Except as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2012.

By order of the Board  
**Chinasoft International Limited**  
**Dr. Chen Yuhong**  
*Chairman and Chief Executive Officer*

17 August 2012, 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, Mr. JIANG Xiaohai

*Non-executive Directors:*

Mr. ZHAO John Huan, Dr. ZHANG Yaqin, Dr. SONG Jun, Mr. LIN Sheng, Ms SHEN Lipu

*Independent Non-executive Directors:*

Mr. ZENG Zhijie, Dr. LEUNG Wing Yin, Mr. XU Zeshan

\* *For identification purpose only*