



ChinaSoft International Limited
中軟國際有限公司*

2011 INTERIM REPORT

Incorporated in the Cayman Islands with Limited Liability
Stock Code: 0354



* for identification purpose only

HIGHLIGHTS

Results for the first half of 2011

Income statement highlights	For the six months ended 30 June		% Increase (over the same period last year)
	(unaudited) 2011 RMB'000	(unaudited) 2010 RMB'000	
Revenue	945,595	686,539	37.7%
Revenue from service	852,382	594,739	43.3%
Gross profit	308,448	207,408	48.7%
Segment profit	102,638	69,015	48.7%
Profit for the period*	60,589	36,557	65.7%
EBITDA	127,262	71,081	79.0%
Business contribution profit **	138,740	82,314	68.5%

* Profit for the period represents the net profit excluding the changes in fair value of redeemable convertible preferred shares;

** Business contribution profit represents EBITDA excluding share option expense, net foreign exchange loss (gain) and allowance for doubtful debts

Statement of financial position highlights	(unaudited) 30 June 2011 RMB'000	(audited) 31 December 2010 RMB'000	% Increase
Total assets	2,700,781	2,372,623	13.8%
Total liabilities	(1,296,267)	(1,270,620)	2.0%
Total equity	<u>1,404,514</u>	<u>1,102,003</u>	27.5%

- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011.
- No closure for the Register of Members of the Company.

CORPORATE INTRODUCTION

Business Overview

ChinaSoft International Limited is positioned to provide integrated software and information services, i.e., end-to-end IT services, including consulting services, technology services, and outsourcing services. Our IT technology services are mainly involved in IT solutions, and our outsourcing services include ITO, BPO, EPO, etc. ChinaSoft International has always adhered to the policy of technology innovation with its independent intellectual property rights as the core, and with more than 200 software copyrights and many patents, such as ResourceOne (R1), the SOA middleware platform software, it provides application software for industry solutions, and TopLink, the software platform product that supports massive information exchange. Our customers, which are located in the countries and regions such as China, the United States, Japan, Hong Kong, etc., are mainly distributed in the industries that have high growth potentials in IT services, such as government and manufacturing, finance, telecommunications, hi-tech and so on. Based on the booming Greater China market and abundant human resources as our competitive advantages, we customise our products to the specifications of each individual client, and provide professional and differentiated IT services to help our customers achieve greater management and business efficiency.

Business Approach

The industries that our business mainly covers include:

- Government and Manufacturing
- Financial Services and Banking
- Telecommunications
- High Technology
- Training

As IT services continue to mature, customers of different industries are looking for IT service providers that can truly understand their business and industry characteristics, and meet their specific business needs. We train business analysts, consultants and engineers, and develop services and solutions that cater to different industries to meet the rapidly changing needs of our customers, thus enhancing their productivity and profitability. Our continued improvement of customer satisfaction has brought about the Company's continued growth of revenue. The professional services that we provide mainly include:

- Consulting and Technology Services
 - Strategy and Business Consulting, and IT Consulting
 - Vertical Application Software and Solution Development, Integration and Maintenance
- Outsourcing Services
 - Product engineering
 - Application Development and Maintenance

CORPORATE INTRODUCTION

- Enterprise Application Services
- BPO, EPO and KPO

Vertical Lines

Government and manufacturing

As a major provider of information services to the Chinese government, the Company is deeply involved in the national e-government construction. Over the years, based on our industry experience and ResourceOne – our proprietary application middleware platform software, we have achieved outstanding results in China's Golden Auditing Project, China's Golden Quality Project, China's Golden Insurance Project, China's Golden Agriculture Project, China's Golden Macro Economy Project and China's Golden IC Card Project, establishing a comprehensive leading position in e-government. According to IDC market research, we have maintained among the top three in the overall rankings in the market of government industry solutions for four consecutive years. We provide our government customers with such solutions as auditing and supervision management, social insurance and welfare management, state-owned assets management, food and drug administration management, execution permission management, government decision support system, office automation, citizen portals, etc. Our main customers include the National Audit Office, Food and Drug Administration, the Ministry of HR and SS of PRC, the Ministry of Agriculture of PRC, the State-owned Assets Supervision & Administration Commission, the Ministry of Finance, the Ministry of Housing and Urban-Rural Development, the Ministry of Environmental Protection, the Ministry of Transport, General Administration of Quality Supervision, Inspection and Quarantine, the Civil Aviation Administration of China, and the State Administration of Foreign Exchange.

After years of efforts, the Company's manufacturing business covers tobacco, machinery, automobile, steel, pharmaceutical, printing, etc. As a strategic partner in tobacco industry information services, we are in a leading position among many IT providers. We provide our customers in the manufacturing industry with application software and solutions development, integration, and operation and maintenance services such as ERP, CRM Manufacturing Execution Systems (MES), Logistics Execution Systems (LES), Safety Production Management, and Enterprise Application Integration. Our main clients include China National Tobacco Corporation, SinoSteel Corporation, and Pfizer Pharmaceuticals Limited.

Finance and Banking Industry

We provide our customers with solutions based on secure payment and software development outsourcing services, through our professional services and proprietary payment platform product TopLink. We offer customers in the finance industry solutions such as payment and clearing system, credit management system, bank card system, credit card management system, risk control system, electronic marketing, insurance business system, business intelligence, and professional financial IT services. According to IDC market research, the Company was ranked among the top five for many years in the payment and clearing solutions market of the banking industry. Our major customers include China Union Pay, Industrial and Commercial Bank, Agricultural Bank of China, Bank of China, China Construction Bank, Bank of Communications, Postal Savings Bank, many joint-stock commercial banks, city commercial banks, and foreign financial institutions in China.

After many years of accumulation of professional experiences, we are in a leading position in the public transportation areas such as public transport, rail transit and airports. We provide customers in the transportation industry with solutions and professional application integration, operation and maintenance services such as Smart Card, Automatic Fare Collection system (AFC), AFC Clearing Centre (ACC), intelligent transportation, and airport operation management system. Our smart-card-type solutions enjoy the biggest market share in China, which have been adopted by nearly 30 cities, and more than 100 million cards have been issued throughout the network systems. Our major customers include Shanghai Metro, Guangzhou Metro, Shenzhen Metro, Suzhou Rail Transit, and Pudong Airport.

Telecommunications Industry

We are one of the first service providers in wireless Internet platform design, development and operation, also one of the largest professional service providers in application development and adaptation for mobile clients. As a trusted partner of China's telecommunications operators, telecommunications equipment manufacturers and terminal manufacturers both at home and abroad, we provide our customers of value-added business products design & development and operation & promotion services with such as mobile payment, mobile instant messaging, mobile SNS, enterprise mini blog, mobile application stores, PTT (push to talk intercom phones), embedded browser, mobile advertising platform, etc. Our major customers include a certain world leading telecommunications equipment provider in China, China Mobile, China Unicom, and China Telecom; these clients fully recognise our service capabilities, attitude and quality; they have awarded us more cooperation projects while they are experiencing rapid growth in their own business. At the same time, we have deep-level cooperation with our customers so as to develop overseas markets by using their resources.

Hi-tech Industry

We provide our MNC customers in the hi-tech industry with comprehensive and personal services, and our Centers of Excellence (COE) all over the world have realised flow-line standardised delivery. We have established comprehensive strategic partnerships with our clients in outsourcing services, and promotion and training of solutions, securing sustained and steady growth of business. As shown in IDC market research, the Company was ranked among the top four for the overall market of off-shore outsourcing in China, among the top two in the market segments in Europe and America, and was praised by IDC as one of China's "six dragons" in software outsourcing services. We provide our customers in the hi-tech industry with services including product engineering, application development and maintenance (ADM), enterprise application services (EAS), and BPO, EPO and KPO services. Our main customers are Fortune 500 hi-tech companies such as Microsoft, IBM, GE, NEC, Hitachi, and Panasonic and so on. The Company serves as the first "Global Premier Vendor" of Microsoft Corporation in China, and the first MSIT top 10 supplier.

Training

Our Excellence Training Center (ETC) is a practical training base of computer technology for college students, as certified by the Ministry of Education of China, and it is one of the industry's leading brands for mid- to high-end IT training. Through cooperation with colleges and universities, practical training based upon real positions and projects are provided for college students with majors in computer sciences or other related areas. Practical training courses for these prospective employees adopt the 5R (Real Working Environment, Real Project Managers, Real Training Projects, Real Work Pressure, Real Job Opportunities) curriculum as the platform, including practical training in technical projects and professional quality training, striving to turn the trainees into practical IT talents through tests and assessments in the shortest possible time. So far, we have established training centers in Beijing, Tianjin, Dalian, Changsha, Wuxi,

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

Our Services

We provide end-to-end services from IT consulting and technology services to outsourcing services, such a business layout will be the guarantee to the sustained and steady growth of our business.

Consulting and Technology Services

Consulting services lie at the top end of the business value chain of ChinaSoft International, and over the past decade we have always been dedicated to the incorporation of consulting methodology with the information technology practices of China's enterprises. Based on the consulting-driven business model, as China's leading enterprise in the solutions field, we focus on providing integrated information technology services of the industry. Our consulting and technology services usually take a contract-based fixed-pricing model.

1. Strategy and Business Consulting, IT Consulting

The strategy consulting that we provide has the specific services including industrial transformation consulting, regional economic consulting, merger and reorganizing consulting, strategy and transformation consulting, group management and control consulting, and organisational design consulting. The business consulting that we provide has the specific services including marketing management consulting, e-commerce transition consulting, supply chain management consulting, lean production consulting, logistics management consulting, financial management consulting, risk management consulting, business process consulting, and data analysis consulting.

We focus on helping clients in obtaining greater value through the interaction between what drives the business and IT requirements. Our consulting products and services are all based on rigorous and proven scientific methods and frameworks. In the areas of business processes, technology and outsourcing, we first analyze the existing environment, determine the optimizing opportunity, and then provide customers with the development path that can significantly save costs and increase productivity. The specific services we provide include information technology planning consulting, IT operation and maintenance consulting, information security consulting, and supervision and management of information technology construction.

2. Vertical Application Software and Solution Development, Integration and Maintenance

We provide customers in a variety of industries with End-To-End process services that include industry application softwares and solutions. In the rapidly developing market in China, industry and corporate customers not only need technology solutions that address certain types of business problems, but also have a lot of requirements for integration with other business applications. We use the application support platform – ResourceOne, to penetrate through the entire project cycle of “Planning – General Design – Development – Overall Integration – Operation and Maintenance,” in which the integration methodology of ChinaSoft International has been incorporated, including:

- In the planning and design phase, we dispatch appropriate industry consultants and qualified designers to understand the customer’s business needs, in-depth find out the best practices of information technology, and form a business components map that can be assembled using the R1 platform and an integrated business framework.
- In the scale development and testing phase, our on-site team members will work closely with the customer, keeping abreast of the customer’s changing needs. At the same time we will transfer a large amount of development and testing to the Center of Excellence (COE) to be conducted using different professional expertise which includes Java,.net applications, cloud computing, and mobile solutions. By using the development tool of the R1 platform, COE ensures a unified technological architecture and quality, thus effectively increasing repeat usage as well as reducing development time and costs. As ResourceOne has been promoted and become the integration platform for many industries such as government and manufacturing, many other solutions providers in the industry also follow such integration standards in their development.
- In the application integration phase, our implementation engineers will use the integration methodology of ResourceOne as well as the robust, scalable and extensible platform tools to conduct integration tests and assembling on the components of complex business applications according to their levels and categories.
- In the operation and maintenance phase, as our platforms, application software and solutions have been adopted in a number of strategic industries nationwide; the Company has simultaneously completed the layout with specialised operation and maintenance teams in all key areas of China. With the more widely adoption of our solutions, our operation and maintenance services are becoming steadier by the year, and the revenues continue to increase.

After years of hard work and the successful practice of a large number of projects, we already have great industry service capability, customer service capability, regional service capability and large project service capability. Relying upon the ResourceOne platform, we focus on the process control in the development and business management, while adhering to standard requirements of quality control systems ISO9001, ISO20000, ISO27001 and CMMI, fully ensuring the service quality and delivery time.

CORPORATE INTRODUCTION

The main solutions and products that we provide include:

Category	Solution and Products
Government Industry Solutions	Auditing and Supervision Management
	Social Insurance and Welfare Management
	State-owned Assets Management
	Food and Drug Administration Management
	Execution Permission Management
	Government Decision Support System
	Online Applications and Approvals
	Citizen Portal
Manufacturing and Distribution Industry Solutions	Enterprise Resource Planning (ERP)
	Manufacturing Execution System (MES)
	Logistics Execution System (LES)
	Safety Production Management
	Warehouse Management System (WMS)
	Enterprise Application Integration (EAI)
	Goods Tracking and Tracing
Financial Industry Solutions	Payment and Clearing System
	Collection System for Credit Consumption Invoice
	Credit Management System
	Bank Card System
	Credit Card Management System
	Risk Control System
	E-Marketing
	Insurance Business System
Transportation Industry Solutions	Smart Card
	Automatic Fare Collection (AFC) System
	AFC Clearing Center (ACC)
	Intelligent Transportation
	Airport Operating Management System

Category	Solution and Products
Telecom Industry Solutions	Mobile Payment
	Mobile IM
	Mobile SNS
	Enterprise Mini Blog
	Mobile Application Store
	Push to Talk
	Embedded Browser
	Mobile Advertisement Platform
Cross-industry Solutions	Customer Relationship Management (CRM)
	Office Automation (OA)
	Business Intelligence (BI)
	Portal Website Sets
	Radio Frequency Identification (RFID)
	Geographic Information System(GIS)
	Electronic Ticket System
Middleware/ Platform Software	ResourceOne Series Products
	TopLink/TSA+ Platform

Outsourcing Services

We are always committed to providing global customers with complete, flexible, and scalable high quality IT outsourcing services. With experienced management and technology specialists as well as a variety of delivery models, we are able to adapt to the changing business and technologies. At the same time, with the assistance of huge training resources at Excellence Training Centers (ETC), we can integrate the needs for talent supply across customers of various industries, so as to provide customers with high-quality, low cost outsourcing services. Our outsourcing services usually take the pricing model based on time and materials cost.

1. Product Engineering

We provide product engineering services to technology product development companies, including independent software vendors and telecommunications equipment developers. Our capability of fast delivery can help customers improve the speed of product development, save development costs, thus gaining the time advantage in marketing their products.

The products that we have developed include operating system, database, middleware, network protocol, speech recognition and human-machine interface, telecom value-added applications and other software products. We provide specialised products and services, including product design, development, and quality assurance and testing.

2. ***Application Development and Maintenance***

To our specific customers we offer application development and management services such as application software development, system maintenance and system optimisation, based on the needs of industry customers. Our ADM services were designed to help customers realise the scientific management of IT outsourcing spending, enabling them to focus more on building their core competencies.

We have well-structured ADM service teams, which have accumulated great experiences in application environments such as mainframe computers, client servers, internet and mobile internet, as well as a variety of platform software programs including Mainframe, Windows series, Linux/Unix and Android, Symbian, iPhone OS, etc. We can deliver the ADM services in our Centers of Excellence (COE) or the customer sites.

3. ***Enterprise Application Service***

We provide our enterprise application services based on consultation. While remaining standard functions of system application unchanged, we take into consideration differences in needs for personalisation of enterprises, catch on managerial needs, propose an application service solution meeting their needs, and enhance management quality of enterprises to realise goals of supporting business of enterprises.

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

4. ***BPO, EPO and KPO***

We offer BPO, EPO and KPO services to customers from different fields including finance, manufacturing, medical and healthcare, transportation and logistics, aiming at the markets in Japan, Europe, America and the Greater China regions. We control and manage service quality and costs through synchronised integration of technology, personnel and processes. Our very experienced operation management personnel customise service processes for enterprises, effectively helping the customers improve their competitiveness, saving time and reducing costs.

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

Competition and Core Strength

Competition in the IT services and outsourcing market is very fierce, with a large number of participants focusing on different types of business. Our competitors are mainly from the following market segments:

- Systems integration companies
- Application software companies
- Outsourcing companies

Our direct competitors include Neusoft Group, Inspur Group, VancelInfo, HiSoft, iSoftStone and so on. In addition, we also face competition from local companies of many industries in different regions.

Many of our competitors have adequate capital, strong technological strength, rich market resources, or greater visibility. But we rely on the following core strengths to effectively compete against them:

1. *Highly Competitive Industry Experience*

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

2. *End-to-end Service Model*

The foundation for our continued and steady business growth was laid with the end-to-end business layout that has integrated consulting, technology services, outsourcing and training into one system. We offer customers consulting services combined with our industry experience, seek to have breakthroughs driven by consulting, help customers truly solve their problems through technology services, and provide outsourcing services according to customer needs. Cross-selling of different services to the same customer improves customer loyalty, effectively reducing the cost of sales spent on specific customers.

3. *Ability of Global Delivery*

We have great capabilities of global service, with a quick response mechanism in place for business deliveries in different regions such as China, the United States and Japan. Taking full advantage of industry experiences of our foreign clients, we achieve business development in the Chinese market, while helping overseas clients to enter the market in China. Through interaction of markets at home and abroad we increase the rate of successful contract signing and our capabilities of industry service, further consolidating our relationship with customers, leading to strategic partnerships with a variety of customers.

4. *Extensively Supported Business and Extendable Independent R&D Products*

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

As one of the industry's most widely used support platforms, R1 enjoys a wide range of applications and a great number of successful cases in government, manufacturing and other fields and industries. A number of national and industry-level projects that have been successfully implemented are proof that, overall consulting/design, separate development and overall integration using the R1 platform can ensure success and good results of the construction of an entire large engineering system.

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

As of June 30, 2011, the Company had 12,476 employees, mainly distributed in regions such as China, Hong Kong, Japan, and the United States. 1/10 among them were project managers, senior technicians and consultants, who had outstanding IT skills, extensive management experience, deep industry knowledge, and most of them had worked in the Company for more than five years, fully identifying themselves with our corporate culture. Meanwhile, in order to maintain the stability of the Company's core staff, we have developed clear mechanism of talent promotion, incentive and training.

We collaborate with over 380 universities and educational institutions, our ETCs established in Beijing, Tianjin, Dalian, Changsha, Wuxi, Chongqing, Xiamen, Nanjing, Chengdu, and Nanchang developed practical training courses customised to the specifics of the Company's business department. The business department can participate in course design, process tracking and evaluation, select high-quality students from the large training resource pool to ensure a steady stream of practical talent supply

Business Strategies

Our goal is to maximise shareholder value, and constantly consolidate and enhance our leading position as a provider of consulting and technology services, and outsourcing services. To achieve these goals, we implement the following core strategies:

1. **Focus on Future High-Growth Areas and Continued to Increase Revenue**
Develop key directions in the "Twelfth Five-Year Plan.", expand service directory, and increase regional distribution. We will continue making investment in the knowledge-intensive services and areas with IT high-growth potentials, such as social security, agriculture, electricity, high-speed railway, and large state-owned enterprises, as set forth by the Twelfth Five-Year Plan (2011-2015) of the national economic and social development. Our business revenues will continue to grow based on the strengths of our existing layout. The existing revenue structure will be further optimised and revenues will increase through the construction of the capacities of high-endITO (e. g., Managed Service) and high-end BPO services, and further development in the Asia-Pacific region.

Expand market share of telecom value-added services and mobile Internet. According to CCID's "2009-2010 China's mobile internet industry research annual report," China's mobile internet industry revenue will increase at an annual growth rate of 80% during 2010-2012, and by 2012 will reach a scale of more than RMB50 billion. Meanwhile, with the rapid development of mobile applications and telecom carriers continuing to increase network bandwidth, telecom value-added services and mobile internet market have brought huge business opportunities. As an IT services provider of China's major telecommunication operators, telecommunication equipment manufacturers and internet companies, we focus on developing telecom value-added services and mobile internet business, in order to obtain the scale growth of revenue in this area.

Seek strategic acquisitions, joint ventures, alliances, improve the business layout, and enhance competitiveness. We believe that, through selective strategic acquisitions, it can help us expand our scope of business, improving our business layout, enhancing our competitiveness, and bringing us market opportunities in the area with rapidly growing IT demands both in China and in the world. Meanwhile, our acquisition and joint venture targets can also help us quickly expand our geographic presence, key industries, and technological strength in regional markets.

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

Expand the ratio of services with high gross profit margins. We believe that consulting and technology services are high value-added business, and we will continue to concentrate and improve our strength in these areas, and increase the Company's gross profit margin by improving the repeat usage of our solutions. Meanwhile, the Company's gross profit margin can also be increased through improvement of business ratio of our high-margin customers.

Enhance the Company's operation. From 2010, we started the implementation of ERP (enterprise resources planning) systems, which, as an important project in strengthening our capacity of corporate governance, will improve the Company's human resources, finance, sales and procurement processes, increase efficiency, improve the Company's operations and management, and save administrative costs.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Key Operating Data

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

	First half of 2011 RMB'000	First half of 2010 RMB'000	% Increase (over the same period last year)
Revenue	945,595	686,539	37.7%
Revenue from service*	852,382	594,739	43.3%
Cost of sales	(637,147)	(479,131)	33.0%
Gross profit	308,448	207,408	48.7%
Other income, gains and losses	18,529	7,950	133.1%
Selling and distribution costs	(64,654)	(38,756)	66.8%
Administrative expenses	(150,689)	(114,925)	31.1%
Allowance for doubtful debts	(1,880)	(2,001)	-6.0%
Amortisation of intangible assets	(24,766)	(14,399)	72.0%
Finance costs	(10,572)	(2,295)	360.7%
Share of results of associates	1,393	255	446.3%
Profit before taxation	75,809	43,237	75.3%
Taxation	(15,220)	(6,680)	127.8%
Profit for the period***	60,589	36,557	65.7%
+Taxation	15,220	6,680	127.8%
+Finance costs	10,572	2,295	360.7%
+Depreciation of property, plant and equipment	17,508	11,405	53.5%
+Amortisation of intangible assets	24,766	14,399	72.0%
-Share of results of associates	(1,393)	(255)	446.3%
EBITDA**	127,262	71,081	79.0%
+Share option expenses	9,235	9,232	0.0%
+Net foreign exchange (gain) loss	363	-	N/A
+Provision for doubtful debts	1,880	2,001	-6.0%
Business contribution profit	138,740	82,314	68.5%

Note*: For the revenue from service, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

General Overview

The growth in key operating data of the Group for the first half of 2011 is set out as follows:

RMB'000	First half of 2011	First half of 2010	Growth rate
Revenue	945,595	686,539	37.7%
Revenue from service	852,382	594,739	43.3%
EBITDA	127,262	71,081	79.0%
Business contribution profit	138,740	82,314	68.5%

For the first half of 2011, segmental results of the Group increased substantially by 48.7% (extracted from note 3 of the consolidated financial statements) on the whole as compared with that of the previous year and the growth in revenue, revenue from service and results by business line are set out as follows:

RMB'000	Revenue			Revenue from Service			Results		
	First half of 2011	First half of 2010	Growth rate	First half of 2011	First half of 2010	Growth rate	First half of 2011	First half of 2010	Growth rate
Government and manufacturing	221,951	171,397	29.5%	184,610	134,058	37.7%	22,560	19,000	18.7%
Finance and banking	218,914	178,244	22.8%	163,042	123,783	31.7%	16,514	9,896	66.9%
IT outsourcing	475,342	315,050	50.9%	475,342	315,050	50.9%	62,362	39,670	57.2%
Training	29,388	21,848	34.5%	29,388	21,848	34.5%	1,202	449	167.7%
Total	945,595	686,539	37.7%	852,382	594,739	43.3%	102,638	69,015	48.7%

Note: "Segmental results" refer to the profit earned/loss incurred prior to distribution of impairment loss recognised on goodwill, corporate expenses, share-based payment and profit or loss arising from fair value change of redeemable convertible preferred shares, and the revenue, profit and loss items of some other companies. (Extracted from note 3 of the consolidated financial statements)

One may see that there was a relatively substantial growth in revenue, revenue from service and results of the Group's business lines as compared with that of the previous year, with Finance and banking business line and IT outsourcing business line being the main sources of the increase of results.

MANAGEMENT DISCUSSION AND ANALYSIS

Our major business growth drivers in the first half of 2011 were as follows:

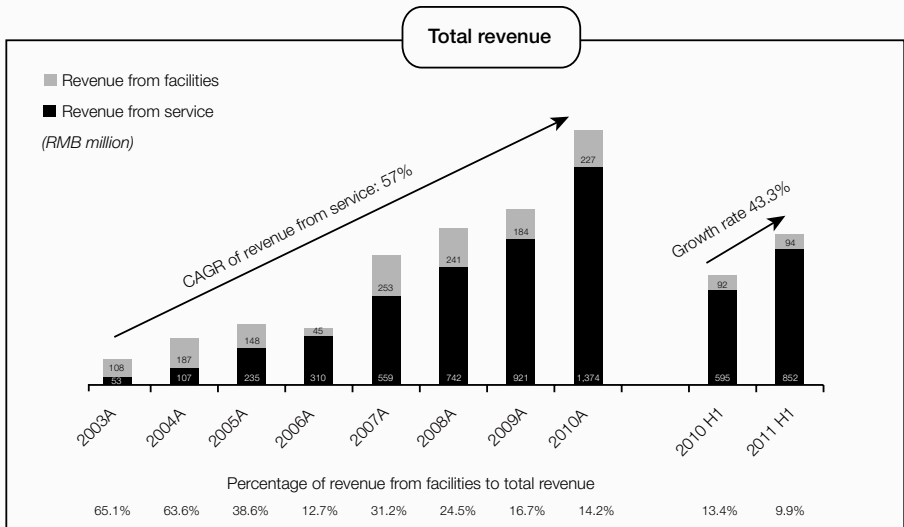
All of our main business sectors achieved strong results and simultaneous rapid growth, of which:

1. Government and manufacturing business line achieved a year-on-year increase of 29.5% and 37.7% in revenue and revenue from service respectively. During the reporting period, the Golden Auditing Project has been reaching its peak, and our new businesses, such as “private cloud” in auditing and BPO service, had established their preferable market condition; the Group had been awarded the tender from the Ministry of Finance for the transaction managing system project and undertook the construction of core financial business; awarded the tender from the Ministry of Environment Protection, for emission reduction support platform and system integration project, as well as the underground water environmental base condition inspection information system; awarded tender for MES projects in the tobacco industry.
2. Finance and banking business line achieved a year on year increase of 22.8% and 31.7% in revenue and revenue form service respectively. During the period, the deficiency-free start-up of the new generation of Shanghai Bank credit card system deficiency and the successful start-up of the card system of Ping An Bank received high appreciation from the customers. Meanwhile, the Group had been awarded the tender for the railway traffic payroll system in Wuxi, Ningbo, Shanghai and Tianjin; signed a contract with CPIC Group in relation to its national data centralization project; signed a contract in relation to a platform construction project with a well-known convenience card operator, which was another involvement in the mobile payment platform market after the Shanghai “mobile wallet” project. The Group also obtained the central bank collaboration third party payment licenses, which enable it to participate in payment business and capture the timing in the sector. Certain scope of outsourcing revenues were generated from HSBC, Ping An and Unionpay, which can be seen as indicators of the rise of end-to-end service in the financial industry.
3. IT outsourcing business line achieved a year-on-year increase of 50.9% in revenue and revenue form service, which was mainly due to the continuous growth of original business and newly added mobile Internet operations that keep up the growth of outsourcing business. During the reporting period, the Group maintained its comprehensive strategic partnership with a world-leading Chinese telecom equipment provider, and became one of its top 3 suppliers, and explored the national market for wireless connection usage; became the first Top 10 Microsoft MSIT supplier in the PRC, and captured a leading position in the transition of MSIT business towards China; achieved from a strategic customer, which is a world top 100 enterprise, that the software development of outsourcing business had become the driver of the software maintenance and operation business, and the Group successfully signed the Oracle ERB long term maintenance service contract in China and Britain; successfully signed with certain top 500 enterprise for the financial procedure outsourcing business, and achieved a breakthrough in the outsourcing of high end business procedures.

MANAGEMENT DISCUSSION AND ANALYSIS

- Training business line achieved a year –on-year increase of 34.5% in revenue and revenue from service. During the period, 26 new schools were signed for deep cooperation (total: 44), 18 of which were co-established schools/departments (total: 27); the schools concerned continuing supplied junior technician for the standardization of the Group’s business, for instance, in the first half of the year, 200 personnel were trained by ETC for certain outsourcing business department, representing an increase of 95.8% over last year; the Group also participated in “excellent engineer campaign” of the education ministry, developed “practical education center” solution; proactively developed “the Internet of things laboratory”, “mobile internet laboratory”, and promoted to the high schools of the deep cooperation.

Since the listing on the Growth Enterprise Market in 2003, the Group’s revenue and revenue from service have maintained rapid growth, recording a CAGR of 38% and 57% over the period from 2003 to 2010 respectively. Revenue from service recorded a year-on-year increase of 43.3%, and the details are set out as follows:



Customer

For the first half of 2011, revenue from service from the top five customers accounted for 38.3% of the Group's total revenue from service, while revenue from service from the top ten customers accounted for 43.8% of the Group's total revenue from service. With the Group's continuous development of new customers and intensive tapping of existing customers in the vertical industries, it is expected that the proportion of revenue from service from the top ten customers in the Group's total revenue from service will further decline.

There were 628 active customers for the first half of 2011, 147 of which were new customers. For the first half of the year, the Group had 17 customers from which over RMB 6,000,000 of revenue from service had been derived.

Market

The Group operated its businesses mainly in Greater China.

In the first half of 2011, 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

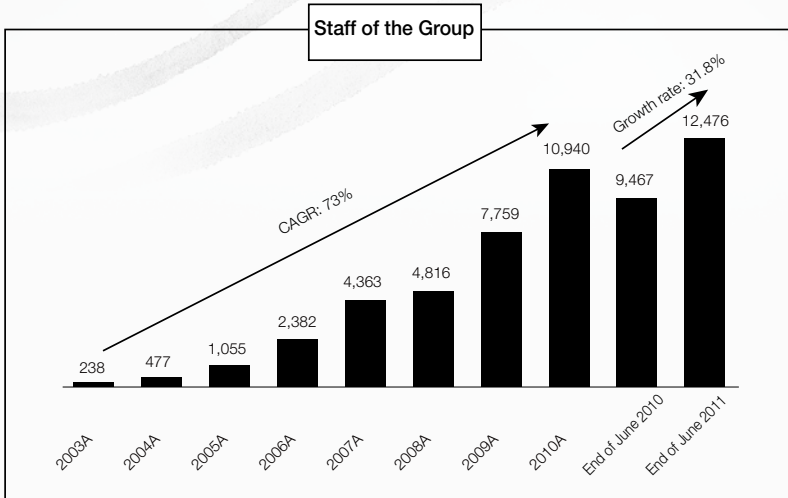
As of the end of the first half of 2011, the Group had altogether 12,476 employees, representing an increase of 31.8% over 9,467 employees as of the end of the first half of 2010.

The average turnover rate of the Group through the first half of 2011 was 13.8%, which was lower than the sector average level. Despite that the costs of human resources have increased continuously in recent years, the Group was still able to increase earnings capability constantly through the continuous increase in the scale of business income and a series of cost and performance management measures (including reasonable human resources allocation structure for stabilising overall cost levels, continuous input of resources into research and development for increasing the re-use of technology and priority incentive policy for improving production efficiency among employees).

The Group cooperated with over 380 colleges and education institutions in setting up training centers in Beijing, Tianjin, Dalian, Changsha, Wuxi, Chongqing, Xiamen, Nanjing, Chengdu and Nanchang to customise development training programmes for the business divisions of the Group. Each business division could participate in the course design, process tracking and evaluation to select quality students from a huge resource pool, hence ensuring constant supply of practical personnel.

MANAGEMENT DISCUSSION AND ANALYSIS

Since the listing on the Growth Enterprise Market in 2003, the size of the Group's personnel has maintained rapid growth, recording a CAGR of 73% over the period from 2003 to 2010. The figure in the first half of 2011 recorded a year-on-year increase of 31.8%. The details are set out as follows:



MANAGEMENT DISCUSSION AND ANALYSIS

Earnings Capability

In the first half of 2011, the Group's EBITDA was RMB127.262 million (first half of 2010: RMB71.081 million), representing a growth of 79.0% over the same period of previous year. EBITDA ratio was 13.5% in the first half of 2011, representing a year-on-year increase of 3.1% (first half of 2010: EBITDA ratio was 10.4%). EBITDA ratio measured on the basis of revenue from service was 14.9%, representing an increase of 2.9% over the same period of the previous year (first half of 2010: 12.0%). Details from the profit for the period to EBITDA adjustments are set out as follows:

RMB'000	First half of 2011	First half of 2010	Growth%
Profit for the period	60,589	36,557	65.7%
+Taxation	15,220	6,680	127.8%
+Finance costs	10,572	2,295	360.7%
+Depreciation of property, plant and equipment	17,508	11,405	53.5%
+Amortisation of intangible assets and prepaid rental payments	24,766	14,399	72.0%
-Share of results of associates	(1,393)	(255)	446.3%
EBITDA	127,262	71,081	79.0%

In order to assist our vast shareholders and investors in comparing the Group with different business trends during the reporting period and in understanding the Group's continuous business achievements clearer and to facilitate the comparison of the Group's business achievements with other similar companies, we have excluded impacts on the profit and loss of non-business and non-cash nature in the EBITDA (for example: share option expenses, net foreign exchange loss and allowance for doubtful debts) in our calculation of the business contribution profit for the first half of 2011. Details from EBITDA to business contribution profit are set out as follows:

RMB'000	First half of 2011	First half of 2010	Change%
EBITDA	127,262	71,081	79%
+Share option expenses	9,235	9,232	0.0%
+Net foreign exchange loss	363	-	n/a
+Allowance for doubtful debts	1,880	2,001	-6.0%
Business contribution profit	138,740	82,314	68.5%

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2011, the Group's business contribution profit was RMB138.740 million (first half of 2010: RMB82.314 million), representing a year-on-year growth of 68.5%. The ratio of business contribution profit was 14.7%, representing an increase of 2.7% over the same period of the previous year (first half of 2010: 12.0%). The ratio of business contribution profit measured on the basis of revenue from service was 16.3%, representing an increase of 2.5% over the same period of the previous year (first half of 2010: 13.8%).

OPERATING RESULTS

The following chart sets out the Group's consolidated statement of comprehensive income for first half of 2010 and 2011 (unaudited):

	First half of 2011 RMB'000	Percentage of revenue	Percentage of revenue from service	First half of 2010 RMB'000	Percentage of revenue	Percentage of revenue from service
Revenue	945,595			686,539		
<i>Revenue from service</i>	852,382			594,739		
Cost of sales	(637,147)	-67.4%		(479,131)	-69.8%	
Gross profit	308,448	32.6%	36.2%	207,408	30.2%	34.9%
Other income, gains and losses	18,529	2.0%	2.2%	7,950	1.2%	1.3%
Selling and distribution costs	(64,654)	-6.8%	-7.6%	(38,756)	-5.6%	-6.5%
Administrative expenses	(150,689)	-15.9%	-17.7%	(114,925)	-16.7%	-19.3%
Allowance for doubtful debts	(1,880)	-0.2%	-0.2%	(2,001)	-0.3%	-0.3%
Amortisation of intangible assets	(24,766)	-2.6%	-2.9%	(14,399)	-2.1%	-2.4%
Finance costs	(10,572)	-1.1%	-1.2%	(2,295)	-0.3%	-0.4%
Share of results of associates	1,393	0.1%	0.2%	255	0.0%	0.0%
Loss arising from changes in fair value of redeemable convertible preferred shares	(53,057)	-5.6%	-6.2%	(31,543)	-4.6%	-5.3%
Profit before taxation	22,752	2.4%	2.7%	11,694	1.7%	2.0%
Taxation	(15,220)	-1.6%	-1.8%	(6,680)	-1.0%	-1.1%
Profit for the period	7,532	0.8%	0.9%	5,014	0.7%	0.8%

Comparison of the results of the first half of 2011 and 2010:

REVENUE

In the first half of 2011, revenue of the Group amounted to RMB945.595 million (First half of 2010: RMB686.539 million), representing a growth of 37.7% compared to that of the previous year. Of which, revenue from service was RMB852.382 million (First half of 2010: RMB594.739 million), representing a growth of 43.3% over the same period last year, which was mainly derived from IT outsourcing business of Telecommunication sector.

The Group's revenue and revenue from service by contract model in the first half of 2011 and as compared with the corresponding period of the previous year are set out as follows:

	First half of 2011 RMB'000	Proportion	First half of 2010 RMB'000	Proportion
Revenue from service				
Fixed Price	422,101	49.5%	293,366	49.3%
T&M (Time & Material)	398,310	46.7%	270,902	45.6%
Volume Base	31,971	3.8%	30,471	5.1%
Total	852,382	100%	594,739	100%

COST OF MAIN BUSINESSES

In the first half of 2011, cost of the Group's main businesses accounted for 67.4% of the revenue (First half of 2010: 69.8%), representing a decrease of 2.4% over the same period of the previous year. Cost of main businesses of the Group amounted to RMB637.147 million (first half of 2010: RMB479.131 million), representing an increase of 33.0% over the same period last year.

GROSS PROFIT

In the first half of 2011, the Group's gross profit was approximately RMB308.448 million (First half of 2010: RMB207.408 million), representing an increase of 48.7% over the first half of 2010. The Group's gross profit margin was 32.6% (First half of 2010: 30.2%), representing a growth of 2.4% compared with that of the previous year. The gross profit margin for revenue from service was 36.2% in the first half of 2011 (First half of 2010: 34.9%), representing an increase of 1.3%.

The Group will increase gross profit margin going forward through following measures:

- business management of the Group will be strengthened with optimized business structure to increase the overall gross profit margin of the Group;
- submission centers will be set up at "third-tier cities" to reduce the overall labor cost of the Group;
- cultivation of teams will be enhanced through ETC to improve management standard and production efficiency, and thereby raising gross profit margin.

OTHER INCOME, GAINS AND LOSSES

In the first half of 2011, other income, gains and losses amounted to RMB18.529 million (first half of 2010: RMB7.950million), representing an increase of 133.1% over the same period of the previous year which was mainly attributed to the increase in government subsidies in the first half of 2010.

OPERATING EXPENSES

In the first half of 2011, selling and distribution costs amounted to RMB64.654 million (first half of 2010: RMB38.756 million), representing a growth of 66.8% over the first half of 2010 and the proportion of selling and distribution costs in revenue was 6.8% as compared to 5.6 % in the first half of 2010, representing an increase of 1.2%, which was mainly attributed to the Group's increased effort in developing market.

In the first half of 2011, administrative expenses amounted to RMB150.689 million (first half of 2010: RMB114.925 million), representing an increase of 31.1% over the same period in 2010. The proportion of administrative expenses in revenue was 15.9%, a decrease of 0.8% compared with 16.7% for the same period of 2010, which was mainly due to the Group's enhancement of standardised administrative platform resulting in saved resources.

EBITDA AND BUSINESS CONTRIBUTION PROFIT

In the first half of 2011, the Group recorded an EBITDA of approximately RMB127.262 million (first half of 2010: RMB71.081 million), representing a substantial increase of 79.0% over the previous year. EBITDA to revenue was 13.5%, representing a remarkable growth of 3.1%. EBITDA to revenue from service was 14.9%, representing an increase of 2.9% over the same period of 2010. In the first half of 2011, business contribution profit amounted to RMB138.740 million (first half of 2010: RMB82.314million), representing an increase of 68.5% over that of last year. In the first half of 2010, the business contribution profit margin grew by 2.7% over the same period of 2010 to 14.7%. Business contribution profit margin based on revenue from service was 16.3%, representing a growth of 2.5% over the same period of 2010.

The Group believes that the operating expenses can be reduced through the following two measures: 1) cross-sales between different business lines to lower the overall selling and distribution costs of the Group; 2) implementation of ERP human resources and financial segments across the Group to lower the administrative expenses through standardising the operations and rationalising the resources and development regional platform, so as to enhance the EBITDA and business contribution profit margin.

OTHER NON-CASH EXPENSES

In the first half of 2011, depreciation of property, plant and equipment to revenue was 1.9%, an increase of 0.2% as compared with 1.7% in the same period of 2010. Depreciation of property, plant and equipment amounted to RMB17.508 million (first half of 2010: RMB11.405 million), representing an increase of 53.5% over the first half of 2010, mainly attributable to personnel expansion and increase in depreciation due to purchase of fixed assets during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2011, amortisation of intangible assets to revenue was 2.6%, an increase of 0.5% as compared with 2.1% in the same period in the first half of 2010. Amortisation of intangible assets and prepaid lease payments amounted to RMB24.766 million (first half of 2010: RMB14.399 million), representing an increase of 72% over 2010, primarily due to the increase in amortisation of intangible assets and prepaid lease payments arising from the newly acquired mobile Internet business.

In the first half of 2011, share option expense to revenue was 1.0%, a decrease of 0.3% as compared with 1.3% in the same period of 2010. Share option expense amounted to RMB9.235 million (first half of 2010: RMB9.232 million), representing a similar level over the first half of 2010.

In the first half of 2011, allowance for bad debt amounted to RMB1.880 million (first half of 2010: RMB2.001 million), representing a decrease of 6.0% over the same period of 2010,

In the first half of 2011, 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 2011, Loss arising from changes in fair value of redeemable convertible preferred shares amounted to RMB53.057 million (first half of 2010: RMB31.543 million), representing an increase of 68.2% over the same period of last year, mainly attributable to the surge in share price of the Group in the first half of 2011.

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

In the first half of 2011, excluding the effect of loss arising from changes in fair value of redeemable convertible preferred shares, the Group recorded a profit for the period of RMB60.589 million (first half of 2010: RMB36.557 million), representing a substantial increase of 65.7%. Profit for the period to revenue was approximately 6.4% (first half of 2010: 5.3%), representing a growth of 1.1% over the same period of last year; profit for the period to revenue from service was approximately 7.1% (first half of 2010: 6.1%), representing a growth of 1.0% over the same period of last year.

Based on the said profit for the period, earnings per share for the first half of 2011 amounted to approximately RMB0.048 (first half of 2010: RMB0.0347), representing a substantial increase of 38.3% over the same period of last year.

INTERIM RESULTS

The board of Directors (the “Board”) of Chinasoft International Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June, 2011 with corresponding figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Notes	For the six months ended 30 June,	
		2011 RMB'000	2010 RMB'000
Turnover	3	945,595	686,539
Cost of sales		(637,147)	(479,131)
Gross profit		308,448	207,408
Other income, gains and losses		18,529	7,950
Selling and distribution costs		(64,654)	(38,756)
Administrative expenses		(150,689)	(114,925)
Allowance for doubtful debts		(1,880)	(2,001)
Amortisation of intangible assets		(24,766)	(14,399)
Finance costs	4	(10,572)	(2,295)
Share of result of associates		1,393	255
Loss arising from changes in fair value of redeemable convertible preferred shares		(53,057)	(31,543)
Profit before taxation		22,752	11,694
Taxation	5	(15,220)	(6,680)
Profit for the period		7,532	5,014
Other comprehensive income			
Exchange differences arising on transaction of foreign operations		(679)	(952)
Total comprehensive income for the period		6,853	4,062
Profit for the period attributable to:			
Owners of the Company		6,668	4,127
Non-controlling interests		864	887
		7,532	5,014
Total comprehensive income attributable to:			
Owners of the Company		6,004	3,190
Non-controlling interests		849	872
		6,853	4,062
Earnings per share	7		
– Basic (cents)		0.54	0.40
– Diluted (cents)		0.50	0.37

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	(Unaudited) 30 June, 2011 RMB'000	(Audited) 31 December, 2010 RMB'000
Non-current assets			
Property, plant and equipment		114,957	108,871
Intangible assets		162,702	181,316
Goodwill		729,111	729,111
Interests in associates		48,151	21,758
Prepaid lease payments		584	643
Deferred tax assets		9,025	9,025
		1,064,530	1,050,724
Current assets			
Inventories		37,682	18,441
Trade and other receivables	8	742,872	557,160
Prepaid lease payments		157	178
Amounts due from associate		-	2,430
Amounts due from customers for contract work		288,018	251,278
Amount due from related companies		451	414
Pledged deposits		6,787	8,826
Bank balances and cash		560,284	484,172
		1,636,251	1,322,899
Current liabilities			
Trade and other payables	9	477,567	460,799
Bills payable		387	6,213
Amounts due to customers for contract work		26,493	58,066
Amounts due to related companies		862	147
Dividend payable to shareholders		77	79
Taxation payable		19,299	14,770
Borrowings		169,000	186,950
Consideration payable on acquisition of business		62,444	74,430
		756,129	801,454
Net current assets		880,122	521,445
Total assets less current liabilities		1,944,652	1,572,169
Non-current liabilities			
Deferred tax liabilities		32,779	32,784
Borrowings		20,000	-
Consideration payable on acquisition of business		17,830	17,830
Redeemable convertible preferred shares		307,499	254,443
Convertible loan notes		162,030	165,109
		540,138	470,166
		1,404,514	1,102,003
Capital and reserves			
Share capital	10	70,179	61,133
Share premium		1,104,228	807,664
Reserves		163,703	167,651
Equity attributable to equity holders of the Company		1,338,110	1,036,448
Non-controlling interests		66,404	65,555
Total equity		1,404,514	1,102,003

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the company											
	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Share options reserve RMB'000	Convertible loan notes reserve RMB'000	General reserve fund RMB'000	Statutory enterprise expansion fund RMB'000	Statutory surplus reserve fund RMB'000	Accumulated fund RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January, 2010	52,357	519,389	(1,891)	64,714	-	15,793	12,978	4,121	58,596	726,057	50,957	777,014
Profit for the period	-	-	-	-	-	-	-	-	4,127	4,127	887	5,014
Exchange differences arising from translation of overseas operations	-	-	(937)	-	-	-	-	-	-	(937)	(15)	(952)
Total comprehensive income for the period	-	-	(937)	-	-	-	-	-	4,127	3,190	872	4,062
New issue of shares upon conversion of series A preferred share	1,315	42,895	-	-	-	-	-	-	-	44,210	-	44,210
New issue of consideration shares	404	12,027	-	-	-	-	-	-	-	12,431	-	12,431
New issue of shares upon exercise of share option	523	8,271	-	(1,295)	-	-	-	-	-	7,499	-	7,499
Recognition of equity-settled share based payments	-	-	-	10,521	-	-	-	-	-	10,521	-	10,521
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	7,177	7,177
At 30 June, 2010	54,599	582,582	(2,828)	73,940	-	15,793	12,978	4,121	62,723	803,908	59,006	862,914
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	70,179	1,104,228	(1,370)	70,528	36,522	15,793	15,136	7,661	19,433	1,338,110	66,404	1,404,514

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Six months ended 30 June,	
	2011 RMB'000	2010 RMB'000
Net cash used in operating activities	(101,363)	(54,506)
Net cash used in investing activities	(64,693)	(27,473)
Net cash generated from financial activities	<u>242,966</u>	<u>15,000</u>
Net increase/(decrease) in cash and cash equivalents	76,910	(66,979)
Effect of foreign exchange rate changes	(798)	(19)
Cash and cash equivalents at the beginning of the period	<u>484,172</u>	<u>297,029</u>
Cash and cash equivalents at the end of the period	<u>560,284</u>	<u>230,031</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, 2010.

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").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK (IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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. Solutions for government and manufacturing entities ("SGM") – development and provision of solutions services to government and manufacturing entities, and to a lesser extent, sales of standalone software and hardware products
2. Solutions for financial institutions ("SFI") – development and provision of solutions services to banks and other financial institutions; and to a lesser extent, sales of standalone software and hardware products
3. IT outsourcing
4. Training

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	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
SGM	221,951	171,397	22,560	19,000
SFI	218,914	178,244	16,514	9,896
IT outsourcing	475,342	315,050	62,362	39,670
Training	29,388	21,848	1,202	449
	945,595	686,539	102,638	69,015

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Segment revenue by products and services:

	For the six months ended 30 June,	
	2011 RMB'000	2010 RMB'000
Sale of software and hardware products	93,213	91,800
Provision of services		
Solutions – SGM	184,610	134,058
Solutions – SFI	163,042	123,783
IT outsourcing	475,342	315,050
Training	29,388	21,848
	852,382	594,739
	945,595	686,539

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

	For the six months ended 30 June,	
	2011 RMB'000	2010 RMB'000
Segment results	102,638	69,015
Other income, gains and losses	8,520	311
Corporate expenses	(29,620)	(26,089)
Effective interest on convertible loan notes	(5,729)	–
Loss arising from changes in fair value of redeemable convertible preferred shares	(53,057)	(31,543)
Profit before taxation	22,752	11,694

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

	For the six months ended 30 June,	
	2011 RMB'000	2010 RMB'000
Interest on borrowings wholly repayable within five years	4,681	2,295
Imputed interest expenses on consideration payable for acquisition of a business	162	–
Effective interest on convertible loan notes	5,729	–
	<u>10,572</u>	<u>2,295</u>

5. TAXATION

	For the six months ended 30 June,	
	2011 RMB'000	2010 RMB'000
Tax charge comprises:		
PRC Enterprise Income Tax	15,220	6,679
Hong Kong Profits Tax	–	–
The US Federal and State Income taxes	–	–
Japan Income Tax	–	1
	<u>15,220</u>	<u>6,680</u>

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

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

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

6. DIVIDEND

The Company did not declare final dividend for the year ended 31 December, 2010 and interim dividend for the period ended 30 June, 2011 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,	
	2011	2010
	RMB'000	RMB'000
Earnings for the purposes of calculating basic and diluted earnings per share	6,668	4,127
	Number of shares	
	2011	2010
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,245,531,132	1,027,152,836
Effect of dilutive potential ordinary shares: Issuable under the Company's share option scheme	99,252,009	89,574,177
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,344,783,141	1,116,727,013

The computation of diluted earnings per share for the period ended 30 June 2011 and 2010 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.

8. TRADE AND OTHER RECEIVABLES

	(Unaudited) 30 June, 2011 RMB'000	(Audited) 31 December, 2010 RMB'000
Trade receivables	682,184	510,761
Less: Allowance for doubtful debts	(63,313)	(61,890)
	<hr/>	<hr/>
Trade receivables from related companies	618,871	448,871
Trade receivables from associates	6,221	6,140
	<hr/>	<hr/>
	7	-
	<hr/>	<hr/>
Advances to suppliers	625,099	455,011
Deposits, prepayments and other receivables	39,280	42,856
	<hr/>	<hr/>
	78,493	59,293
	<hr/>	<hr/>
	742,872	557,160
	<hr/>	<hr/>

The credit terms of the Group range from 30 to 180 days. An aged analysis of trade receivables (net of allowance for doubtful debts) is as follows:

	(Unaudited) 30 June, 2011 RMB'000	(Audited) 31 December, 2010 RMB'000
Within 90 days	417,148	370,973
Between 91-180 days	103,223	40,565
Between 181-365 days	71,466	16,347
Between 1-2 years	28,484	26,073
Over 2 years	4,778	1,053
	<hr/>	<hr/>
	625,099	455,011
	<hr/>	<hr/>

The fair value of the Group's trade and other receivables at 30 June, 2011 was approximately equal to the corresponding carrying amount.

9. TRADE AND OTHER PAYABLES

	(Unaudited) 30 June, 2011 RMB'000	(Audited) 31 December, 2010 RMB'000
Trade payables	229,904	183,656
Trade payable to a related company	3,246	2,153
	<hr/>	<hr/>
	233,150	185,809
Deposits received from customers	42,898	23,519
Other payables and accrued charges	201,519	251,471
	<hr/>	<hr/>
	477,567	460,799
	<hr/>	<hr/>

An aged analysis of trade payables is as follows:

	(Unaudited) 30 June, 2011 RMB'000	(Audited) 31 December, 2010 RMB'000
Within 90 days	133,013	74,129
Between 91-180 days	30,873	30,630
Between 181-365 days	31,522	37,414
Between 1-2 years	23,829	31,807
Over 2 years	13,913	11,829
	<hr/>	<hr/>
	233,150	185,809
	<hr/>	<hr/>

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, 2011 was approximately equal to the corresponding carrying amount.

10. SHARE CAPITAL

Ordinary shares of HK\$0.05 each:	Number of shares	Nominal amount HK\$
Authorised		
At 1 January, 2010 and 30 June 2010	1,500,000,000	75,000,000
Addition (note a)	500,000,000	25,000,000
At 1 January, 2011	2,000,000,000	100,000,000
Addition (note b)	2,000,000,000	100,000,000
At 30 June, 2011	4,000,000,000	200,000,000

	Number of shares	Nominal amount HK\$	Amount shown in the financial statements RMB'000
Issued and fully paid			
At 1 January, 2010	1,011,348,688	50,567,434	52,357
Exercise of options	11,910,500	595,525	522
Conversion of redeemable convertible preferred shares	30,000,000	1,500,000	1,319
Issue of consideration shares	9,208,126	460,406	403
At 30 June, 2010	1,062,467,314	53,123,366	54,601
Exercise of options	41,526,000	2,076,300	1,795
Issue of consideration shares	110,333,945	5,516,697	4,737
At 31 December, 2010 and 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 subscription shares	150,000,000	7,500,000	6,237
At 30 June, 2011	1,431,530,259	71,576,513	70,179

Notes:

- (a) Pursuant to written resolution of the shareholders passed on 18 November, 2010, inter alia, the authorised ordinary share capital of the Company was increased from HK\$75,000,000 divided into 1,500,000,000 ordinary shares of HK\$0.05 each to HK\$100,000,000 divided into 2,000,000,000 ordinary shares of HK\$0.05 each.
- (b) 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 2010 and 2011, the Group had the following transactions with the following related parties:

	Notes	For the six month ended 30 June,	
		2011 RMB'000	2010 RMB'000
Provision of IT outsourcing services			
– 大連中軟軟件有限公司	(a)	156	240
– 聯想(北京)有限公司	(b)	72*	–
Rental expenses			
– Chinasoft National Software and Service Company Limited ("CNSS")	(c)	2,285	2,285
– 融科物業投資有限公司	(b)	794*	–

* It represents the transaction amount occurred in June 2011.

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) 聯想(北京)有限公司 and 融科物業投資公司 are related companies of Keen Insight Limited, a substantial shareholder of the Company. Keen Insight Limited commenced to be a connected person of the Company as its interest in the shares of the Company accumulated over 10% during June 2011
- (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, 2011, the prepaid lease payments were analysed for reporting purposes as a non-current asset of RMB584,000 and current asset of RMB157,000 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 RMB473,292,000, including the directors’ emoluments of approximately RMB2,295,000 during the six months ended 30 June, 2011 (2010: approximately RMB316,763,000, including the directors’ emoluments of approximately 2,123,000). The increase in employee remuneration resulted from the increase in the number of employees from 9,467 to 12,476.

The amortisation charge of intangible assets and depreciation during the six months ended 30 June, 2011 of the Group amounted to approximately RMB24,766,000 (2010: RMB14,399,000) and approximately RMB17,508,000 (2010: RMB11,405,000), respectively.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES

As 30 June, 2011, 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 Preferred Shares	Approximate percentage of total issued preferred share capital* of the Company as at 30 June, 2011	Total No. of Ordinary Shares	Approximate percentage of total issued ordinary share** capital of the Company as at 30 June, 2011	Approximate voting percentage of the Company as at 30 June, 2011
Chen Yuhong	38,300,000	23.28%	73,220,136	5.11%	4.59%
Tang Zhenming	–	–	11,747,765	0.82%	0.74%
Jiang Xiaohai	–	–	6,872,447	0.48%	0.43%
Wang Hui	–	–	4,227,838	0.30%	0.26%
Zeng Zhijie	–	–	300,000	0.02%	0.02%

* As at 30 June, 2011, a total number of 164,500,000 Series A Preferred Share was issued.

** As at 30 June, 2011, a total number of 1,431,530,259 Ordinary Share was issued.

OTHER INFORMATION

Options to subscribe for Shares

Name of Director	Exercise Price (HK\$)	No. of share options outstanding as at 1 January, 2011	No. of share options exercised during the period	No. of share options outstanding as at 30 June, 2011	Percentage of total issued ordinary share capital of the Company as at 30 June, 2011	No of underlying ordinary shares interested in	Note
Chen Yuhong (Note 1)	1.78	3,800,000	-	3,800,000	0.27%	3,800,000	(7)
	1.37	5,000,000	(5,000,000)	-	-		
Cui Hui	0.65	500,000	-	500,000	0.03%	500,000	(5)
Tang Zhenming (Note 2)	0.58	80,000	-	80,000	0.01%	4,180,000	(4)
	0.65	1,300,000	-	1,300,000	0.09%		(5)
	0.97	800,000	-	800,000	0.06%		(6)
	1.78	2,000,000	-	2,000,000	0.14%		(7)
	1.37	2,000,000	(2,000,000)	-	-		
Wang Hui (Note 3)	0.65	250,000	-	250,000	0.02%	3,250,000	(5)
	0.97	1,000,000	-	1,000,000	0.07%		(6)
	1.78	2,000,000	-	2,000,000	0.14%		(7)
	1.37	1,150,000	(1,150,000)	-	-		
Zeng Zhijie	1.78	450,000	-	450,000	0.03%	450,000	(7)

Notes:

- (1) An aggregate of 5,000,000 share options were exercised by Dr. Chen Yuhong at the exercise price of HK\$1.37 each during the period. Hence, following the exercise of those share options, the number of share options outstanding reduced to 3,800,000 as at 30 June, 2011.
- (2) An aggregate of 2,000,000 share options were exercised by Dr. Tang Zhenming at the exercise price of HK\$1.37 each during the period. Hence, following the exercise of those share options, the number of share options outstanding reduced to 4,180,000 as at 30 June, 2011.
- (3) An aggregate of 1,150,000 share options were exercised by Mr. Wang Hui at the exercise price of HK\$1.37 each during the period. Hence, following the exercise of those share options, the number of share options outstanding reduced to 3,250,000 as at 30 June, 2011.

OTHER INFORMATION

- (4) 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

- (5) 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

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

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

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

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

OTHER INFORMATION

SHARE OPTION SCHEME

As at 30 June, 2011, there were share options to subscribe for an aggregate of 289,853,000 Shares granted to certain Directors and employees of the Group pursuant to the Share Option Scheme outstanding.

During the six months ended 30 June, 2011, an aggregate of 67,203,000 share options were exercised, an aggregate of 316,000 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, 2011 none of the Directors was granted options to subscribe for shares of the Company and as at 30 June, 2011 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, 2011, 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, 2011.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June, 2011, 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, 2011, 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	18.96%	15.85%
Hony Capital Fund 2008, L.P. (Note 1)	Interest of controlled corporation	271.48	18.96%	15.85%
Hony Capital Fund 2008 GP L.P. (Note 1)	Interest of controlled corporation	271.48	18.96%	15.85%
Hony Capital Fund 2008 GP Limited (Note 1)	Interest of controlled corporation	271.48	18.96%	15.85%
Hony Capital Management Limited ("Hony Capital") (Note 1)	Interest of controlled corporation	271.48	18.96%	15.85%
Zhao John Huan (Note 2)	Interest of controlled corporation	271.48	18.96%	15.85%
Right Lane Limited (Note 2)	Interest of controlled corporation	271.48	18.96%	15.85%
Legend Holdings Limited ("Legend Holdings") (Note 3)	Interest of controlled corporation	271.48	18.96%	15.85%
Chinese Academy of Sciences Holdings Co., Ltd. (Note 4)	Interest of controlled corporation	271.48	18.96%	15.85%
Chinese Academy of Sciences (Note 4)	Interest of controlled corporation	271.48	18.96%	15.85%
Beijing Lian Chi Zhi Yuan Management Consulting Center (Note 5)	Interest of controlled corporation	271.48	18.96%	15.85%
Beijing Lian Chi Zhi Tung Management Consulting Ltd. (Note 5)	Interest of controlled corporation	271.48	18.96%	15.85%

OTHER INFORMATION

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
Greater Pacific Capital Partners, LP ("GPC") (Note 6)	Beneficial interest	119.27	8.33%	6.96%
EJF Capital LLC ("EJF") (Note 7)	Beneficial interest	116.40	8.13%	6.80%
Far East Holdings International Limited ("Far East Holdings") (Note 8)	Beneficial interest	113.99	7.96%	6.66%
China National Computer Software & Information Technology Service Corporation (Hong Kong) Limited ("CS&S(HK)") (Note 9)	Beneficial interest	100.32	7.01%	5.86%
Chinasoft National Software and Service Company Limited ("CNSS") (Note 9)	Interest of controlled corporation	100.32	7.01%	5.86%
Microsoft Corporation ("Microsoft") (Note 10)	Beneficial interest	97.25	6.79%	5.68%

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.

OTHER INFORMATION

7. EJF is an investment advisor registered under the Securities and Exchange Commission of the United States of America. EJF is interested in 116,404,949 Ordinary Shares which could be issued upon the full conversion of the Convertible Notes in the principal amount of RMB 200 million took place on 29 November 2010.
8. Far East Holdings is interested in 113,989,822 Ordinary Shares.
9. 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).
10. Microsoft is interested in 97,250,000 Ordinary Shares which could be issued upon the conversion of the 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. Microsoft holds 59.12% of the total 164,500,000 Series A Preferred Shares in issue.

Save as disclosed above, as at 30 June, 2011, 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, 2011, 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. Xu Zeshan and Mr. Zeng Zhijie and Dr. Leung Wing Yin Patrick.

The audit committee of the Company has reviewed the Interim results of the Group for the six months ended 30 June, 2011.

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, 2011.

On behalf of the Board
Dr. Chen Yuhong
Chairman and Managing Director

8 August, 2011, Hong Kong