

# INTERIM REPORT 2 0 1 6

中國  
國際軟



**Chinasoft International Limited**  
**中軟國際有限公司\***

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

\* for identification purpose only

	PAGE
Highlights .....	2
Chairman's Report .....	3
Business Recent Development .....	8
Management Discussion and Analysis .....	23
Interim Results	
– Consolidated Statement of Comprehensive Income (Unaudited) .....	31
– Consolidated Statement of Financial Position (Unaudited) .....	32
– Consolidated Statement of Changes in Equity (Unaudited) .....	34
– Consolidated Statement of Cash Flow (Unaudited) .....	35
– Notes to the Unaudited Consolidated Financial Statements .....	36
Environment, Society and Governance Report .....	47
Other Information .....	50

## 2 HIGHLIGHTS

Results for the first half of 2016

Income statement highlights	For the six months ended 30 June		% Increase (over the same period last year)
	(unaudited) 2016 RMB'000	(unaudited) 2015 RMB'000	
Revenue	2,884,951	2,388,751	20.8%
Revenue from service	2,832,120	2,204,689	28.5%
<b>EBIT</b>	<b>305,167</b>	193,886	57.4%
<b>Profit attributable to Owners of the Group</b>	<b>236,237</b>	139,670	69.1%
Basic EPS (RMB cents)	11.04	7.23	52.7%
Statement of financial position highlights	(unaudited) 30 June 2016 RMB'000	(audited) 31 December 2015 RMB'000	% Increase
Total assets	6,773,049	6,348,453	6.7%
Total liabilities	(3,052,951)	(2,862,183)	6.7%
Total equity	<u>3,720,098</u>	<u>3,486,270</u>	6.7%

- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016.
- No closure for the Register of Members of the Company.

Dear Investors,

As it is now normal with us, the Group performed well over the reporting period. After the efforts over the past 18 months, Chinasoft's new corporate structure is now in place. As the "two-wheel" strategy is implemented, the difference between the two business models of the two segments is becoming apparent, and the characteristics contrast is also becoming more clear and pronounced. We are now well on our way to what Gartner suggested as the Bimodal framework for IT Services: Mode 1 for traditional IT service model which has clear requirements and targets that can be organized with industrial IT methodologies, and Mode 2 for innovative service models that utilizes efficiencies in digital technology, agile payment and revenue models and crowd sourcing for resource management.

I. **On Contrast.** As IIG business continues to develop and becoming more mature, the contrast between our two business segments IIG and TPG are very clear in many areas:

**1. Different Business Positioning**

TPG strives to be the vendor of choice for industry vertical's solution and software services.

IIG's position is to be an operator of a cloud based crowd-sourced service platform, or a cloud service operator.

**2. Different Customers**

TPG's customers are large enterprises in various industry verticals: telecom, financial services, internet and high technology and public transportation and etc.

IIG's business mainly services "long tail" markets in IT services, including SMEs and local governments, and individual programmers and small programming teams. Essentially, the users of Jointforce (both contract awarding party and also programmers) pay a rental fee to the platform operator.

**3. Different Markets and Competitive Environment**

TPG services the traditional ITS markets, with competitors being mainly specialists within a domain, or other IT service vendors such as Neusoft, iSoftstone, Gaoweda, ChangLiang Keji and Yuxinyicheng and etc.

IIG is a new cloud based digital crowd-sourcing operator, with competitors being other crowd sourcing platforms such as ZBJ.com and Open Source China and other cloud software service vendors.

**4. Different Service Content**

TPG provides services including: industry vertical solutions, product engineering, application system development and testing. Product solutions include: big data in financial services, big data middleware, banking risk management solutions, financial credit and funding solutions and card management solutions.

IIG's main services provided include: membership management, transaction facilitation, payment services, social blogs/media and cloud delivery process software rental and so on.

### 5. Different Service Model

TPG's typical service model is a project delivery model. After a purchase order is finalized, the Group will follow the signed contract to organize its employees and then consults, designs, develops, tests and implements the solution.

IIG's typical service model is to facilitate a transaction. With businesses announcing its requirement and needs on the platform, then registered programmers or teams respond by bidding and then executing the project. These participants are not the Group's employees. The Group will monitor and oversee the project execution, and then extract a fee. Even for those contracts that are signed directly with IIG, the actual delivery is performed by resources on the platform and the Group's responsibility is only to ensure proper delivery. Cloud based IT services differ from traditional IT services in the manner that development and license sales are done, since in cloud based IT service the Group essentially "rents" out the platform to that participants.

### 6. Different Service Process

TPG's service process is the typical project delivery process: requirement and needs assessment, top level design, detailed design, development and integration, distributed testing and integrated testing, production implementation and operational maintenance.

IIG's business process has two parts. The first part is the project listing and bidding and contracting process, which involves registration, project listing, automatic resource allocation and bidding, bidder selection, escrow funding and project commencement. All done on-line. The second part is payment process, which involves the bidding party first organize on-line resources, meet milestones according to contract, submit delivery on-line, request for acceptance, and receive funds after acceptance and payment of platform fees, and finally submitting reviews of process.

### 7. Different Technology

The fundamental technology requirement for TPG business is programming and testing related, including technical architecture, development language, development tools, project management tools, development process (such as agile process). In addition, solution business delivery team members needs to have solid vertical domain knowledge.

IIG's main technology requirement is related to e-commerce operation, such as management of large concurrent transactions, e-commerce transaction platform, on-line software development and software delivery management, social internet technology, smart resource allocation, machine learnings and other cloud related capabilities.

### 8. Different Talent Requirement

TPG needs domain knowledge consultants, technical architects, project management and technical experts and so on.

IIG looks for e-commerce operations experts, internet technology maintenance experts, digital marketing and cloud related experts.

- ii. **On Spin-Off.** Recently the Group announced the proposal to Spin-Off and to relist of our TPG business on mainland's A-share market. This is a fitting strategic arrangement of our "two-wheel" strategy. In the past two annual reports we have conveyed that the Group will work to utilize various capital platforms, and this transaction is the result of our decision to make such a move. We believe this is in the best long term interest of our shareholders.
1. First, the Group will utilize the two capital market platforms to "leap frog", using the more favorable capital market to support different businesses and construct a next generation IT services company. If we successfully realize the spin-off and relisting, we will have both HongKong and also A-share market as capital platforms, which will allow us to better organize our on-line and off-line "two wheel" growth strategy. This is completely in line with Chinasoft's overall strategic plan, with bimodal double model driving simultaneously to propel us towards the goal of becoming a world-class IT services enterprise.
  2. The success of this plan will allow both TPG and IIG to each utilize a more fitting capital platform that is appropriate for its business and growth maturity, and pursue its own core business expansion. TPG's future direction is mainly in mergers and acquisitions, financial services and overseas market, pushing to build a Chinese Bangalore in China's XiAn. This ambitious plan needs a very robust capital platform. Even after TPG's relisting on the A-share market, Chinasoft will remain its overwhelming majority shareholder, with the share dilution in the parent company more than offset up by the expected rapid growth. We always believed that our strategic cooperation with industry giants will give us three dividends (domestication of information technology, globalization of IT services and management and cultural enhancement from Huawei engagements). With the support of a new capital platform, the new TPG will become our main force in the re-emergence of a new Chinasoft.
  3. IIG's business will use Jointforce as its core, concentrate favorable resources and focus on developing internet IT services. The goal is that by 2020, IIG will achieve revenue level of the comparable US company Upwork's 2015 revenue level. IIG is Chinasoft's main force in the Group's digital transformation. The two groups can experience faster and more focused growth. With mutual support and complementary businesses, Chinasoft will have even better earnings per share growth and higher returns to its shareholders.
  4. To become a global scale IT enterprise, we need a large home base. Our software research and development center in XiAn is already being put to use. There are now over 8000 professionals in the center. Within a year we will be able to fulfill our promise made to the local government three year ago to have over 10000 people working in the center. We are very pleased to fulfill this promise, and we are doing our part for the economic development and transformation for the local region. For this we expect continued strong support from the local government in XiAn. In fact the proposed Spin-Off and relisting transaction is connected with a local company.

The future that we see is a “software defined everything” future. The most basic and fundamental environment that is supportive for digital transformation is one which has a large and highly skilled and talented workforce. To create such an environment there must be economic mobility, allowing talent movement and finally attract many more transformative enterprises to relocate to XiAn. As software technology has spread all over the world, the Group will continue to innovate and provide SMAC (social, mobile, analysis and cloud) technical services, and contribute to local economic development. This will allow software services business to be one of the large, expandable supporting pillars to the community, and bring opportunities for the local and regional transformation. All of this is paving a strong foundation for us to start from XiAn but reaching beyond to the world.

- III. **On Jointforce.** One year later, our Jointforce crowd sourcing operating platform (Enterprise Edition) has achieved tremendous progress in both large scale operation capability and efficiency.

During the reporting period, Joinforce continued to aggregate IT resources from all industries, technical categories and regions, and now has over 100000 registered and experienced software engineers (bidding parties). It also has over 2000 enterprise customers and over 800 IT project teams. Of these registered engineers, over 60% has more than 3 years of experience, and 19% has over 8 years of experience. Through efficient use of the resources, JointForce is effectively solving the problem of how to “re-use code” by “re-using” the programmer who has done this code before. The system also provides detailed descriptions of the professional experiences of the resources, thereby allow easy identification and selection for the contract awarding party. Main development in terms of targeted customers are as follows:

1. **IT Services Customers:** During the reporting period, IIG worked with other large IT enterprises such as CEC, subsidiaries of CETC, FangZheng Electronics, YongYou Finance, LiSiCheng and HuaYu. These are large scale enterprises and have many customers. Although these partners have mature vendor infrastructures and also advanced IT knowledge and management capability, there are still times in certain regions when they face resource shortages as well as capability gaps. Jointforce works with these enterprises by brings to the table Management Tools + Contracting Rules + Operation Management. Using an advanced platform based tools and robust services, Jointforce helps these companies by connecting them to social-based resources. Through cooperation with Jointforce, these enterprises gets to fully utilize resources on Jointforce to help complete its own software product development, software project implementation and delivery work. In addition, by using the environment provided by Jointforce, they also achieve project delivery team process transparency.

2. **Traditional Industry Customers:** During the reporting period, IIG began to actively work with traditional industry customers in cultural media, education, healthcare, logistics, retail, tourism and also State Enterprises such as China Shipping and China Nuclear. IT requirements in traditional verticals have some specialized needs: relatively limited resources, high demands in project timing, delivery quality, project cost and customer satisfaction. They also face common obstacles such as lack of development resources and other issues such as a narrow selection in customized mature solution development vendors. By working with Jointforce, these traditional industry customers are able to exploit the platform's attributes such as low cost delivery, large resource available area, flexible timing, vast selection of mature solutions and project cases. This greatly helps these customers with additional development resources and customization of mature solutions, including smaller modules such as order management, inventory management, e-commerce, distant healthcare, online tourism.
  
3. **Internet and Digital Industries:** During the reporting period, Jointforce was able to make significant contribution to internet finance companies, enterprise SaaS companies, internet gaming and e-commerce and other innovative startups and entrepreneurs, including North MingYi, Kanxindai, to name just a few. To the innovative startups, Jointforce allows them to find mature and experienced software developer talents, ensuring internet platform to quickly achieve operations. Jointforce is also actively responding to the national Innovation-Entrepreneurship movement, collaborating with many Innovation-Entrepreneur leagues and associations, such as ZhongGuanCun Internet Finance Service Center, Dalian IT Services Association, XiAn Software Industry Association, University of Tianjin Software Club and etc. Jointforce provides services related to software development, help these organization to monitor key market innovations and quickly capture market opportunities.

2016 is the first year for our Jointforce, and it is also the most critical year for our "Starting Again" phase. For the first half of the year we have seen satisfactory progress, so let us anticipate the second half, anticipate a great harvest and an all moving forward 2016.



### NEW SEGMENT ORGANIZATION

For many years the Group organized its business according to the type of work it was doing for the customer. Management drew the distinction line and separated solution and consulting work from outsourcing work. It was done in this way because the Group's customers tend to fall into one of these two groups. Recently, however, management finds technology innovation moving much faster than in the past (driven by the combination of what Gartner called the SMAC nexus), and technology enabled business models began to disrupt the core business model of many industry verticals. The Group's customers are also experiencing rapid changes in their businesses. In 2015 the Group deployed the bi-modal ("two-wheel") strategy and reorganized the businesses into two groups: TPG and IIG.

### TPG BUSINESS & RECENT DEVELOPMENT

#### *Description*

The Technical Professional Group provides end-to-end IT services (from consulting to solutions and outsourcing) for enterprise customers, and these services currently cover industry verticals including telecommunications, financial services, public transportation, Internet and other high tech industries. The Group has global servicing capabilities with business activities in more than 10 countries, from mainland China to the United States, Europe, Southeast Asia and Japan. The Group provides IT services to more than 100 large enterprise customers.

#### *TPG Industry Coverage*

- **Financial Services** – The Group's professional experience in the financial sector and proprietary technologies (TOPLINK/FLOWPOWER payment platforms and other independent intellectual properties) allow the Group to provide customers in the financial and banking industry with customized financial solutions centered on safe payments. Over the years, the Group provided industry solutions, system integration services and other high-end services for key customers such as the five state-owned banking giants, postal savings bank, a number of joint-stock commercial banks, city commercial banks and foreign financial institutions in China, accumulating rich practical experience in the industry. Successful cases include the first cross-bank bankcard payment network system, the first financial IC card payment and settlement system, and the first online e-commerce payment and settlement system in China, which were highly appraised by the customers in the banking industry.

The Group is also committed to the research and practice works of financial data, and achieved considerable progress in the fields of big data platform planning, data control and management, comprehensive risk management, operation management, financial management and customer relationship management, helping financial companies realize the value of their data, achieve transformation in data management, and promote data operating strategy. After accumulating experience for many years, the Group has developed in the financial industry a large number of products and solutions with regard to financial risk, credit financing, integrated order management, business intelligence, payment and settlement and so on. The Group is committed to achieve common development of solutions and financial IT outsourcing business in the future, and make breakthrough in the financial data services field and establish a financial big data processing brand name.

While providing excellent domestic banking software services, the Group also actively explores the overseas market of banking software and boasts a number of top international financial clients including HSBC. As of this writing the Group is one of the four global delivery centers of HSBC (the other three are in India). Taking the strategic partnership with HSBC as an opportunity, the Group will do well in the establishment of offshore development centers, vigorously promote the cooperation with regard to solutions, and actively branch out other overseas banking services.

- **Telecommunications** – The Group's major customers in Telecom arena include Huawei, China Mobile and China Telecom. The Group is one of Huawei's core IT services vendor partners and is also an important strategic partner. The Group has been fully involved in Huawei's carrier business, corporate business and consumer business, cooperating with various divisions of Huawei to provide software development, testing, internal IT system construction and other services. At present, for the telecommunication billing and mobile payment and other products in the fields of Huawei's telecom software, public cloud operation and maintenance, and process-oriented IT operation, the Group has the ability to take on complete customization and delivery responsibilities for entire projects. The Group keeps in-depth cooperation with Huawei and makes full docking in terms of technology development, marketing and program delivery to serve the telecom operator customers of Huawei. At the same time, the Group is expanding breadth and depth of cooperation with Huawei in big data and cloud technology to actively combine Huawei's technologies with the industry advantages of the Group. The cooperation between the Group and Huawei will remain to be our core business to pursue sustained business development and enhanced capacity building. In line with Huawei's operator business, the Group is deploying the customized development and delivery capabilities for the solutions intended for telecom operators; corresponding to Huawei's consumer business, the Group is deploying the platform and data service; around Huawei's enterprise business, the Group is deploying the new ICT services.

The Group is one of the earliest suppliers of design, development and operation of mobile Internet platforms, and one of the largest suppliers of professional development and adaptation services for mobile client in China. The Group is a leader to provide comprehensive customized mobile Internet solutions, covering product planning, software development, project management and operation services. As a trusted partner of telecom operators and telecom equipment manufacturers in China, and terminal manufacturers at home and abroad, the Group provides design, development and business promotion services for value-added products such as unified communications, mobile payment, mobile instant messaging, enterprise microblog, mobile application store, PTT (push to talk), embedded browser and mobile advertising platform. Based on the development and operation of Fetion, the Group has established a long-term strategic partnership with China Mobile to continuously develop the mobile Internet market with customer relationships and resources from each other. The Group partners with Orange financial company under China Telecom to provide development and operation services, including program development, data clearing and settlement, risk control and credit investigation services for major platforms such as Orange consumer finance platform, Orange financial management platform, Orange credit investigation platform, and payment platform.

- **Internet & High Tech Industry** – The Group provides services for well-known Internet and technology companies in the world and builds competence center in relevant range of services to enhance efficiency and carry out in-depth cooperation. The Group boasts a number of well-known clients in the Internet and high-tech industries, including Microsoft, GE, Tencent, and Alibaba, etc. At the same time, in the current wave of Internet finance development, the Group makes use of the capabilities in traditional financial sector to carry out in-depth cooperation with Internet financial enterprises, in order to develop an Internet financial model based on the traditional finance. The Group's main clients in the Internet industry are: Tencent, Alibaba, Sina, and Baidu, etc. In providing services to the customers, the Group focuses on strategic customers, actively takes new challenges, and provides customers with high value-added services to achieve common growth with the customers. The Group provides comprehensive IT services for customers in Europe, America and Japan and Greater China region. The delivery centers across the world realize the standardized pipeline-like delivery. According to an IDC research report, the Group ranked among top 3 suppliers in Chinese offshore outsourcing market, and among top 2 suppliers in two segment markets in European and American. Listed in the "Global Outsourcing 100" by IAOP (International Association of Outsourcing Professionals) for seven consecutive years, the Group's main High Tech clients are Microsoft, GE, NEC, etc. Based on experiences accumulated in the Internet industry, the Group is confident to get large customers in Internet and other industries by optimizing industry solutions and providing users with "end to end" services. In the high-tech and overseas business, while maintaining the existing clients such as Microsoft, GE, Tencent and Alibaba, the Group will attract more customers and make use of ODC (Offshore Delivery Centre) model to establish delivery system realized by interaction between offices in China and overseas.

- **Public Transportation & Others** – In the sector of public transportation, the Group is a leader in the solution market of pan-traffic area of public transportation, rail transportation, and airport management after accumulating professional experience over years. The Group has built three “First-in-China” systems: the nation’s first all-in-one card payment and settlement system for urban transportation, the nation’s first payment system for transfer in urban rail transportation and the nation’s first automatic fare collection (AFC) system with independent intellectual property rights. The Group provides solutions for all-in-one card system, automatic fare collection system (AFC), AFC Clearing Centre (ACC), intelligent transport and airport operation management system, together with integration, operation and maintenance services for professional applications. The all-in-one card solution has been applied in more than 30 cities, with more than 100 million cards issued, which have weathered the test of huge traffic volume. Base on the continuous development of existing solutions, the Group will continue to build and enhance its service ability for the industry.

#### **TPG Services Offered**

- **Consulting Services** – Consultancy is the leading service in our business value chain. The strategic consultancy and business consultancy service help the Group to identify the business essentials and real demands of our customers to effectively improve the professional service and achieve the business goal of “common growth” with our customers. Our IT consultancy focuses on helping the customers achieve greater value from the interaction between business drivers and IT demands. The Group’s consultancy products and services are based on proven methods and frameworks. In terms of business processes, technology and outsourcing, the Group conducts research and evaluates existing environment, identifies the optimal opportunity and provides the customers with strategic development roadmap featuring cost savings and productivity improvement. In the sectors of finance, telecommunication, transportation, energy and others, the Group has built up a professional consultant team over time. The majority of the team members have 10+ years of experience in these sectors and a wealth of know-hows in application of IT technologies.
- **Software Platform Services** – As a leading application provider in China, the Group has been committed to the R & D of platform and middleware products. These products are used both in intra-company solutions and project deliverables and for sales outside the Group. As the industry/user integration platform and development platform, our products enable connection between solutions from different suppliers. The Group now owns the Ark big data middleware platform, the TOPLINK/FLOWPOWER series platform products with completely independent intellectual property rights. These products are widely used in the industry solutions and projects, greatly increasing the system integration, stability and efficiency, as well as improving user loyalty.

- **Data Analysis Services** – The Group’s data services provides enterprise customers with end-to-end data technology and big data innovation services in the aspects of data strategy consultancy, data platform, data management, data analysis, etc., covering consultancy, implementation, development and other processes. Thanks to advanced software platform, cross-sector in-depth business expertise, proven consultancy and implementation methodology, efficient business and technical training system, rich project experience and high degree of customer acceptance, the team takes the leading position in the big data service market of financial regulators, industry regulators, banking, insurance, securities, transportation, logistics and other areas. ICS&S data services team focuses on R & D of big data applications and technical solutions for domestic enterprises. Using years of construction experiences on industry and enterprise projects to help the customers plan and design optimized big data structures, the data integration, sharing and disclosure can be achieved in a methodical way so as to enhance fine management, strengthen the operational risk management and control, and facilitate the industry, enterprises and financial institutions to achieve the business transformation and upgrading.
- **Software Product Engineering** – The Group provides engineering services to enterprises specializing in development of technical products. Our major customers include independent software suppliers, telecom equipment developers, game developers and Internet companies. The quick delivery of the Group helps the customers speed up the product development, reduce the development costs, and obtain advantages in early time-to-market. The products developed by us include operating systems, databases, middleware, network protocols, speech recognition and human-machine interfaces, value-added telecom applications and other software products, in addition to specialized services including product design, development, and quality assurance and testing.
- **Application Development & Management** – The Group provides customized application development, system maintenance, system function optimization and other application development and management services to industrial customers. The application development and management services are designed to help the customers achieve scientific management of the IT outsourcing costs and thus allow the customers to focus more on building its core competencies. The Group has a team specializing in structured application development and management services, which has rich experiences in application environment such as mainframe, customers’ servers, Internet and mobile Internet, supporting Windows, Linux/Unix and Android, IOS and other platforms and operating system. The Group can deliver services at its own delivery centers or at location of the customers and guarantee the customers with fast and efficient application development and management services. For different technical fields, corresponding teams are set up to provide the commoditized services which offer the users efficient, high-quality services.

- **Business Process Outsourcing** – Currently, many enterprises outsource repetitive non-core business processes, or even core business processes, to outside suppliers to reduce costs while improving the service quality. Business process outsourcing has become an industrial trend. In Japanese, European and Greater China markets, the Group provides multi-lingual BPO, EPO and KPO services for customers in terms of financial, manufacturing,, transportation, logistics, and other fields. The services mainly include background transaction processing, shared service centers, data processing, desktop publishing (DTP), CAD drawing, call center, business intelligence and data mining.

### **TPG Recent Development**

- **Financial Services** –
  - **Banking:** During the reporting period, the Banking division made new breakthroughs in areas of product innovation, customer upsell and business expansions. The Group continued to occupy the leading position in bank cards, credit financing, payment and clearing and also risk management areas. The Group successfully implemented single point receiving, cloud payment, consumer finance, royalty marketing, enterprise supply chain in many stock funded banks, financial conglomerates and also consumer finance companies. In the area of Internet credit-based financing, the Group used a variety of channels to supply customized financial products to many different customer groups, and completed projects for automatic risk recognition and approval, based on data analysis. The Group also successfully rolled out middle-ware for big data analysis, supplying customers with a one-stop shopping visualized platform. Using this technology the Group helped many banking customers to implement detailed customer description, driving targeted marketing and also post transaction credit warning systems. The Internet technology based platform, using micro-service models, news aggregation on a distributed architecture, allows customers to quickly build integrated policy engines to enable flexible policy and process changes. During the reporting period, the Group established strategic relations with many stock funded banks, regional city banks and farmer collectives, further increased coverage in the northeast, northwest and south west regions. Products such as credit approval, bank card systems, anti-fraud testing, collection management, commercial paper financing and payment systems further provided strong support for customer business development. For foreign bank customers, especially with Japanese, Korean, the Americas and European, HongKong and Singaporean banks, the Group continued stable growth and received opportunities on many large scale projects in areas of communication anti-fraud, payment and clearance.

- **Insurance & Securities:** Within the reporting period, the Group was awarded an internet operating platform project from a large health insurance company, and a mobile development system from a large foreign insurance company. The Group continues to make significant progress in areas of insurance e-commerce, mobile marketing, risk management, security registration and settlement, security clearance and security knowledge management.
- **HSBC & PingAn:** Within the reporting period, the Group became HSBC's only strategic partner in China. The Group has collaborated very well with HSBC for many years and the Group's delivery capability as well as quality control has gained strong recognition within HSBC. Levering the Group's big data capabilities and also fully in line with HSBC's global strategic roadmap, the Group was able to attract more HSBC business into China. The Group's XiAn ODC now has over 1500 professionals, double of what it was a year ago. On the business front, the Group has achieved complete support coverage for all of HSBC's global businesses, including countries and regions of China, Hong Kong, Taiwan, England, Canada, France, India, Singapore, Malaysia and Philippines. At the same time, the Group realized an end-to-end coverage for the complete HSBC development process, pushing for agile development process across all fronts, and trained a whole new generation of Scrum Masters. The Group created a number of Gold Medal Agile Teams with automated management system, realized automation in implementation, compilation, deployment, installation and testing. The HSBC team was able to rapidly build a first class, mature and multi-lingual global delivery task force. Within the reporting period, the Group continued to be PingAn's strategic partner, keeping our TOP level status. The group delivered projects in both Chengdu and Nanjing.
- **Telecommunications** – During the reporting period, the Group's Huawei business continues to increase in scale as well as in breadth and depth, adding more businesses across many of Huawei's business lines. Over 30% of the Group's work with Huawei are conducted independently with minimal Huawei supervision, as delivering superior service has become a competitive edge for the Group. More than 50% of our workforce are of the middle and higher experience levels, thus the Group is able to increase delivery quality and increase profitability from this structure of higher quality workforce. Right after the successful delivery of end to end DSV project HB, the Group was able to complete a second international DSV mobile payment project.

In China Mobil business, the Group was awarded HaiNan's China Mobile Customer Royalty project and also MiGu testing platform project. The China Mobile unified communication 1.5 project has now been successfully deployed, and is expected to be widely used by the year end.

The Group is also the number IT software vendor for Orange Finance, capturing 40% of the market. During the reporting period, the Group worked with the customer to migrate IT center to Xian. The Group believes that there will be much business in the big data analysis area on this front in the near future.

- **Internet and High Tech Industry** – During the reporting period, the Group deepened cooperation with Tencent, received exclusive contract for IEG XinYue Club customer service business, receiving customer praises and accumulated additional service capabilities. The Group also built CDG GuangDianTong department of Tencent for an offshore call center ODC. In addition, the Group signed a strategic cooperation agreement with Tencent Cloud, paving a good foundation for the Group to utilize Tencent cloud capabilities and provide cloud related solution business for our customers. The Group continues to strengthen our strategic cooperation with Ali-Cloud, receiving contracts from Ali subsidiary GaoDe maps, Youku Tudo, UC and Hengsheng Electronics, expanding our collaborations. Special mention goes to the project with GaoDe maps, the Group provided electronic mapping data production, mobile navigation system development, positioning information and other services. In the future, the Group will focus on capability transformation as a goal, continue to service digital navigation leaders to enhance capabilities to grow along with our customers. Under current Internet + movement, the group plans to leverage e-retailing and mobile endpoint experiences, using mobile e-commerce as core, create products and all in one operating solution platform. The Group has already signed on a number of customers on this front.

In the high-tech area, especially in Microsoft, the Group placed emphasis on cloud and mobile development business, continues to provide services for Office 365 technology and product feedback analysis. Within localization project, the Group used a new project operation model to achieve efficiency and cost management. Using managed services and outcome model as lead, the Group provided on-demand services. In Windows Azure and GE Predix industrial internet side, the Group achieved growth with rising capabilities.

- **Public Transportation & Others** – During the reporting period, the Group's public transportation division maintained market leadership position. The Group was awarded contract for ChangChun QingFen center and also GuiYang QingFen center projects. In energy and Electric Grid business, the Group used end-to-end capabilities to realize system support for its customers. Maintained solid position in the electricity marketing and customer service front. The Group also received contract for Huawei international electric marketing project framework master contract.

During the reporting period, the Group continued to work closely with Huawei in cloud computing arena, assisted Huawei Dalian's software research cloud and LangFang public cloud project. The Group has built an independent delivery team to work on public cloud mobile end development and also customized development. The Group has become Huawei's TOP solution provider, with complete solution systems consists of consulting, POC delivery and training. The Group received Huawei's onebox enterprise cloud software cooperation status, providing mobile office solutions to Huawei and CMB.



## **IIG BUSINESS & RECENT DEVELOPMENT**

### **Description**

The Internet ITS Group (IIG) provides a new Internet business model centered on Jointforce, the Group's internet crowdsourcing platform to provide customers with innovative services. Jointforce is a trustworthy crowdsourcing IT platform, utilizing societal resources and shared economy, created by Chinasoft. The platform helps to link clients with short term IT services needs with individuals, teams, or enterprises who can provide such services. Jointforce facilitates the entire IT process to make sure both parties operate efficiently to complete the projects and safely receive payments. Jointforce's targeted customers are ITS companies, small to midsize traditional enterprises, local governments, and innovators and entrepreneurs.

The Jointforce platform provides its customers with dual services: M (man) + M (machine). The Machine part refers to Jointforce tools such as developmental coordination cloud, project development management, code cloud management, micro-job management, risk control and healthy code management to help increase online delivery efficiency and quality. The Man part are Chinasoft employees as services to help clients, leveraging on its employees' years of experiences in IT services, provide consultation, volume and pricing, resource matching, escrow, project monitor, system crowd-testing and other services.

### **IIG Services Offered**

Jointforce provides different services to the ITS, traditional, and Internet/digital markets based on their characteristics and demands.

- **To IT Services Industry**

- **Idle Resources Supply Services:** Utilizing idle resources is a professional service that the platform created in order to combat low utilization rate, a major pain point of the IT industry. The main targeted tasks are short-term projects, short-term technical research, technical consulting, project implementation, and etc. In short, these resources are software engineers who are not full time employed by the enterprises and are only short term contractors. These resources are often overlooked by the labor market. In the traditional IT outsourcing market, these businesses are not in the range of services, and each year large volume of such businesses cannot complete. As the platform grows and accumulates more resources in different markets, regions, and products, there will be more idle IT resources which paves the foundation for such services. Furthermore, project based IT companies oftentimes have 10-30% of idle resources due to the uneven distributions of businesses throughout the year (depending on the downtime from one project to another, the different requirements of technical resources, and the level of management skills). Similarly, product based IT companies or startups face the same issues in between product promotion periods. How to correctly utilize idle resources is a concern for all IT companies' managements. With Jointforce, we can provide the solution. As Jointforce matures and develops, there will be more upgrades for this service. For example, reserving idle resources in advance, broadening the services of the idle resources, and etc. Meanwhile, project management and online facilitation will become more efficient.

- **Professional and Technical Consultation Services:** Jointforce helps its clients to provide customized services. The Group has a large number of engineers and professional team in charge of different demands that can provide all sorts of customized demands and help our clients:
  - Quickly assess and identify the needs of the customer and communicate to the third party in order to decrease cost.
  - Tap into a bigger pool of talents (industry and technical skills). This will also increase as Jointforce grows.
  - Accurately identify the right resources. Our recommended matching system will automatically match the demands with the right resources to form a team. Furthermore, it will also allot the right scheduling for the clients.
- **Customized Modular Development Service:** With dedicated professionals responsible for operational execution, using the large number of programmers or teams on the platform, Jointforce is able to provide specialized custom development for those clients who need such services. Jointforce will help clients realize:
  - Lower communication cost by helping clients to clarify and create specific project requirements after detailed analysis of client needs;
  - Better overall availability and quality of resources by providing vertical appropriate custom development resources (more complete vertical coverage as Jointforce grows);
  - Precise and appropriate resources by using high precision capability matching system. Jointforce will automatically locate the right resource, combined with the right resource team to help clients to identify appropriate resources within a prescribed time schedule.
- **Crowd-testing Services:** Crowd-testing is an important professional service on the Jointforce platform that provides project testing and delivery checking for the enterprises. Leveraging experienced testers on the platform, this service provides a “hiring + crowd-testing” model to decrease cost and increase quality control. Crowd-testing service can provide for the demand of software testing in the traditional market as well as the explosive growth of mobile application testing and localization testing. Its main servicing scenarios will be for independent testing, third party delivery testing, professional field testing, and user experience testing.

- **Traditional Industries**

- **Customized Solutions for Enterprise Transformation:** Leveraging years of experience in the IT industry and its professional services, Chinasoft has accumulated an abundance of knowledge in the solution business. As the Internet becomes more prevalent along with mobile technology (Wechat), traditional businesses are being disrupted. In order for traditional enterprises to become more competitive in today's market, they need to quickly and smoothly adapt to new business models, centered on services and data. For a traditional enterprise, with a quick transformation, often times the direction will be wrong, causing cost to double. Therefore, the low cost Jointforce platform is the best choice.
- **Customized Solution for traditional SMEs:** Traditional small capitalization companies have dire needs for information system management, often customized to their special needs. However, due to the restraints on costs, this is hard to achieve. Now, with the Jointforce platform, these companies can easily find low cost, affordable, and experienced personnel to complete these customization tasks.
- **To New Internet and Digital Industries**  
Through experienced and high quality service providers currently congregated on JointForce, IIG provides custom development services for internet startup companies. This service is focused on helping these customers with development of non-core software products. Currently there is high demand for solutions and implementation in areas of Education, Ecommerce and social platforms, tourism, logistics and virtual reality (VR/AR).

**IIG crowd sourcing services workflow:**

On Jointforce, contract awarding party first announces the requirements (needs), then the contract bidding (programmers, teams) party bids on the contract. The contract awarding party then selects one of the bidding parties and signs contract and the project is executed and then delivered. The complete process includes Register Phase, Contract Listing Phase, Bidder Selection Phase, Contracting Phase, Execution Phase and Project Test & Acceptance Phase. During the entire process, Jointforce provides a variety of services to both contract awarding party and also the contract bidding party.

Contract Awarding Party Process and Jointforce services provided:

- Registration Phase – Jointforce platform registers the party and collects basic information such as business license.
- Contract Awarding Phase – platform provides consultation on project requirements and scope, price estimation services, and then lists the projects on the Jointforce platform.
- Bidder Selection Phase – platform provides customer with recommendation as well as a ranking of relevant experience of bidders, nominates favored bidders and arranges for mutual interviews.

- Contracting Phase – platform provides electronic contract signing and also fund-escrowing services.
- Execution Phase – Using Jointforce cloud-assist platform to facilitate online delivery management and provide parties with overall project management services.
- Test and Acceptance Phase – Jointforce will help the contract awarding party with on-line acceptance, payment and also project review services.

Contract Bidding Party (Resources) Process and services provided:

- Registration Phase – Jointforce platform registers the party and authenticates documents.
- Bidding Phase – Help bidders (programmers) to clearly present qualifications and recommend potential projects.
- Contracting Phase – Provide party with electronic contract signing services.
- Execution Phase – Using Jointforce cloud-assist platform to facilitate online delivery management and provide parties with overall project management services.
- Acceptance Phase – Jointforce will help customer with on-line acceptance, payment and also project review services.

### ***IIG Business Model***

#### **I. Service Models**

- a. ***On-Line services model:*** IIG can provide mature IT product or services via our on-line platform (Jointforce). We now allow our customers to easily and quickly obtain service delivery that has quality assurance as well as information security, with the best price-to-service ratio. These services include: need consulting, cost estimation, resource classification and selection, mutual interview, fund escrow and on-line payment. These tools provide assistance to both sides of the transaction and help to clearly define project boundaries and delivery contents, as well as the setting of milestones and monitoring of delivery progress, plus generating project risk warnings. The system is designed to on the one hand protecting the integrity/security of the product, and on the other hand allow effective communication and collaboration between the project award party and the resources (programmers), realizing a strict on-line project management and quality control.

- b. **Off-Line services model:** The off-line services here refers to an extension of the on-line services provided by IIG and is very different from the traditional off-line service model. Examples of services included here are: on-site consulting work relating to need assessment of the customer, workflow process stream lining and consultations on specific business solutions offered, on-site project implementation and project acceptance, customer on-site maintenance and etc. These off-line services provide important support functions to the on-line model and provides effective communication on projects transaction through the on-line platform. This is an important element in providing a complete experience for the customers which will ensure a healthy and efficient on-line service development and growth.

II. Sales and Marketing Model

- a. **Traditional marketing and word-of-mouth campaigns:** focused advertising and marketing based on customer analysis and categorization. Through internet media, social media, and other advertising platforms to highlight IIG's capabilities, value and service catalog, this strategy is aimed at targeted customers. Use case-based and word-of-mouth marketing to raise product exposure and establish marketing strategies and service a wide variety of end customers.

**Marketing through extensive recruitment of social partners:** to accelerate the promotion and increase total exposure to the vast customer universe, IIG will adopt multiple partnering formats, recruiting socialized partners to reach customers and provide services. Relying on external partners, IIG will establish a light touch but heavy emphasis on cooperation, connected sales model.

**Regional marketing:** IIG will build marketing platforms in a number of software-rich city centers and regions to conduct local marketing. Each marketing platform will build specialized marketing team via specific service catalog and small pre-sales technical teams to rapidly cover each regional market and focus on region specific needs.

III. Revenue Model

*IIG utilizes an agency model for revenue.* As transaction payments are made, IIG will collect a proportional service fee (commission).

***IIG Recent Development***

By June 2016, JointForce platform has registered over 100,000 software engineers and 800 software teams, along with over 8,000 registered businesses customers, creating a large scale platform that supplies high quality resources and mature development programs. As of this report, IIG has established regional marketing and operation centers in software-rich cities in Beijing, Shanghai, Xian, Dalian, Chengdu, Wuhan Guangzhou and Shenzhen. This infrastructure will allow IIG to have rapid response to customer needs and fully explore local resource advantages. Management plans to use these regional centers as bases to expand into the surrounding areas and eventually cover the entire country in terms of IT resource development as well as marketing and management.

During the reporting period, Jointforce initiated many new and substantial service products in order to further enhance value to customers and also expand its eco-system. Utilizing the vast number of pricing experts registered on Jointforce, the platform initiated “Price Estimator” on the WeChat enterprise platform, enabling SME customers to receive quick and expert driven project pricing estimation services, thus solving the very difficult pricing problem facing project awarding parties. Jointforce also created a new social based product for recent alumni of a given company, allowing business users to tap into this rich resource of employees who are very familiar with a particular company’s technology and process to continue make contributions.

In June of 2016, Jointforce announced a new on-line process-flow development environment – Collaborative Development Cloud, formed by a basic collaborative environment and four large scale cloud services: starting with a project communication collaboration environment, adding on-line voice and video conference capability, cloud based code management, code quality testing and finally project assessment & warning, all cloud based. This allows the contract awarding party and the bidding party (programmers) to communicate at any time, realizing the goal of “anytime communicate, discuss and collaborate”. This platform allows progress affirmation, prototype inspection, on-line conference, document collaboration, bug management, daily and weekly reporting, code management, code quality inspection and risk warning. This increases the efficiency of collaborative on-line delivery model, and also greatly increases Jointforce delivery efficiency and lowers delivery risk.

Jointforce also made upgrades and enhancement to its original product including the mobile Jointforce app, adding functionalities to better serve the contract awarding parties by providing rapid project listing, target resource selection and interviewing, order following and also status notifications.

During the reporting period, the operating management platform of Jointforce has been improved in the area of customer development, business opportunity management, resources supply, invoice collaboration and enhancement and launch of the social marketing system, which support and increase the ability and efficiency of Jointforce’s large scale operation.

Jointforce continued to expand the universe of registered software engineers, reaching over 100,000, over 2000 IT companies and 800 IT project teams, by at the time of this writing. Of these registered engineers, over 60% has more than 3 years of experience, and 19% has over 8 years of experience. Through efficient use of the resources, JointForce is effectively solving the problem of how to “re-use code” by “re-using” the programmer who has done this code before.

Here are new developments in each of the three target markets that IIG serves:

- **IT Services Customers:** During the reporting period, IIG began to actively work with other large IT enterprises such as CEC, subsidiaries of CETC, FangZheng Electronics, YongYou Finance, LiSiCheng and HuaYu. These are large scale enterprises and have many customers. Although these partners have mature vendor infrastructures and also advanced IT knowledge and management capability, there still times in certain regions where they face resource shortages as well as capability gaps. Jointforce works with these enterprises by brings to the table Management Tools + Contracting Rules + Operation Management. Using an advanced platform based tools and robust services, Jointforce helps these companies by connecting them to social-based resources. Through cooperation with Jointforce, these enterprises gets to fully utilize resources on Jointforce to help complete its own software product development, software project implementation and delivery work. In addition, by using the environment provided by Jointforce, they also achieve project delivery team process transparency.
- **Traditional Industry Customers:** During the reporting period, IIG began to actively work with traditional industry customers in cultural media, education, healthcare, logistics, retail, tourism and also State Enterprises such as China Shipping and China Nuclear. IT requirements in traditional verticals have some specialized needs: relatively limited resources, high demands in project timing, delivery quality, project cost and customer satisfaction. They also face common obstacles such as lack of development resources and other issues such as a narrow selection in customized mature solution development vendors. By working with Jointforce, these traditional industry customers are able to exploit the platform’s attributes such as low cost delivery, large resource available area, flexible timing, vast selection of mature solutions and project cases. This greatly helps these customers with additional development resources and customization of mature solutions, including smaller modules such as order management, inventory management, e-commerce, distant healthcare, online tourism.
- **Internet and Digital Industries:** During the reporting period, Jointforce was able to make significant contribution to internet finance companies, enterprise SaaS companies, internet gaming and e-commerce and other innovative startups and entrepreneurs, including North MingYi, Kanxindai, to name just a few. To the innovative startups, Jointforce allows them to find mature and experienced software developer talents, ensuring internet platform to quickly achieve operations. Jointforce is also actively responding actively to the national Innovation-Entrepreneurship movement, collaborating with many Innovation-Entrepreneur leagues and associations, such as ZhongGuanCun Internet Finance Service Center, Dalian IT Services Association, XiAn Software Industry Association, University of Tianjin Software Club and etc. Jointforce provides services related to software development, help these organization to monitor key market innovations and quickly capture market opportunities.

**KEY OPERATING DATA**

During the first half of 2016, the Group's businesses continued to grow steadily. The revenue, service revenue, net profit attributable to the owners of the group, and the EPS increased by 20.8%, 28.5%, 57.4%, and 52.7 % YoY.

	Six Months Ended 30 June		
	2016 RMB'000	2015 RMB'000	Growth Rate
<b>Revenue</b>	<b>2,884,951</b>	2,388,751	20.8%
<b>Service revenue</b>	<b>2,832,120</b>	2,204,689	28.5%
<b>EBIT</b>	<b>305,167</b>	193,886	57.4%
Profit attributable to shareholders	<b>236,237</b>	139,670	69.1%
Basic EPS (RMB cents)	<b>11.04</b>	7.23	52.7%

The key operating data (unaudited) for six months ended 30 June 2016 are:

	Six Months Ended 30 June		
	2016 RMB'000	2015 RMB'000	Growth Rate
<b>Revenue</b>	<b>2,884,951</b>	2,388,751	20.8%
<i>Service revenue</i>	<b>2,832,120</b>	2,204,689	28.5%
Cost of Sales	<b>(2,082,316)</b>	(1,711,509)	21.7%
<b>Gross Profit</b>	<b>802,635</b>	677,242	18.5%
Other income, gains and losses	<b>48,113</b>	12,899	273.0%
Selling and distribution expenses	<b>(112,217)</b>	(110,631)	1.4%
Administrative expenses	<b>(390,651)</b>	(339,572)	15.0%
Allowance for doubtful debts	<b>(11,382)</b>	(309)	3,583.5%
Amortization of intangible assets and prepaid lease payments	<b>(41,479)</b>	(46,326)	(10.5%)
Share of results of associates	<b>10,148</b>	583	1,640.7%
<b>EBIT</b>	<b>305,167</b>	193,886	57.4%
Finance Costs	<b>(39,039)</b>	(39,565)	(1.3%)
<b>Profit before taxation</b>	<b>266,128</b>	154,321	72.5%
Taxation	<b>(47,509)</b>	(11,261)	321.9%
<b>Profit for the period</b>	<b>218,619</b>	143,060	52.8%
Profit attributable to shareholders	<b>236,237</b>	139,670	69.1%
Basic EPS (RMB cents)	<b>11.04</b>	7.23	52.7%



## GENERAL OVERVIEW

The revenue, service revenue, and results of the Group's different business lines for the first half of 2016 are as follow:

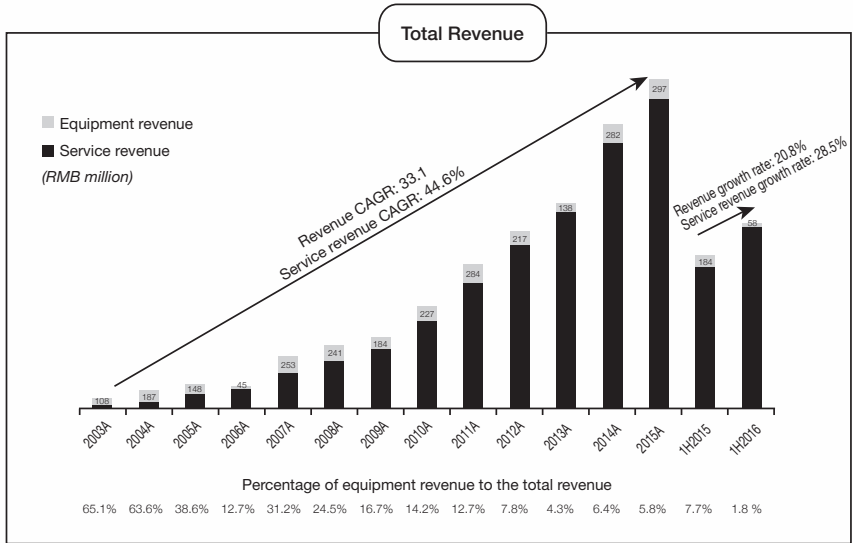
	Revenue			Service Revenue			Results		
	Six Months Ended 30 June		Growth Rate	Six Months Ended 30 June		Growth Rate	Six Months Ended 30 June		Growth Rate
	2016	2015		2016	2015		2016	2015	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Technical and Professional services Group (TPG)	2,287,883	1,758,020	30.1%	2,276,098	1,613,328	41.1%	249,605	140,952	77.1%
Internet ITS Group (IIG)	597,068	630,731	(5.3%)	556,022	591,361	(6.0%)	67,570	60,617	11.5%
<b>Total</b>	<b>2,884,951</b>	<b>2,388,751</b>	<b>20.8%</b>	<b>2,832,120</b>	<b>2,204,689</b>	<b>28.5%</b>	<b>317,175</b>	<b>201,569</b>	<b>57.4%</b>

In terms service revenue, the TPG's revenue and service revenue achieved a YoY growth of 30.1% and 41.1%. The growth came from the core customers including Huawei, HSBC, and Tencent. The IIG's revenue and service revenue experienced a YoY decrease of 5.3% and 6.0%. This decrease is because during the reporting period, the Group sold parts of the Excellent Training Center ("ETC"), so the Financial Statements is no longer consolidated. If taken out the effects of the ETC, the IIG's revenue and service revenue increased.

In terms of segment results, the TPG achieved a YoY growth of 77.1%, far higher than the revenue and service revenue growths of 30.1% and 41.1%. The reason is because during the reporting period, the pricing for the core customers increased, and the Group's management ability continued to increased, causing the SG&A to decrease. The IIG's result achieved a YoY growth of 11.5%. The increase is due to the application of the Jointforce platform, making important contributions to the Group's profitability.

The Group believes that as Jointforce, cloud computing, and big data's profitability continue to increase, the Group will maintain a healthy growth.

Since listing on the GEM board in 2003, the Group has maintained high revenue and service revenue growth, recording a CAGR of 33.1% and 44.6% from 2003-2015. For the first six months of 2016, the revenue and service revenue achieved a YoY growths of 20.8% and 28.5%. The details are as follow:



**Customers**

The Group’s customers include large enterprises with headquarters located in the Greater China region, Europe, Americas and Japan. Within the Chinese market, most of our customers are large players in the industry verticals of Financial and Banking services, telecommunications, Internet and high technology industries.

In the first half of 2016, the top five and ten customers accounted for 63.0% and 67.9% of the Group’s service revenue.

As of 30 June 2016, the Group had over 76 large customers (contributed more than RMB 6 million of service revenue within the past 12 months).

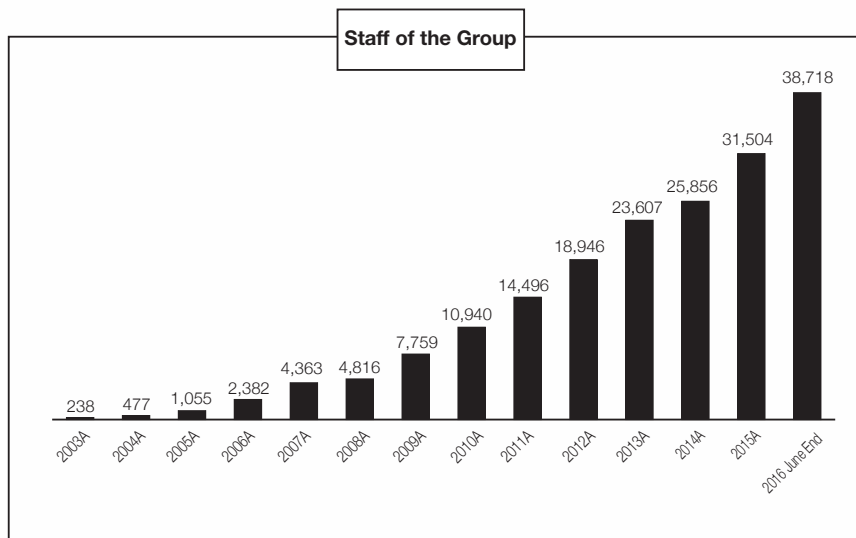
**Market**

The Group’s businesses are concentrated in the Greater China region. During the first half of 2016, the Group continued to set Greater China market as an important area of development. China’s strong economic growth and market potentials give rise to long-term growth opportunities. Meanwhile, the Group will continue to expand oversea and build a strong foundation for future businesses.

### Human Resources

As of 30 June 2016, the Group has a total of 38,718 employees, representing an increase of 22.9% since the 31 December 2015.

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



**Operating Results**

The following chart is the Group's consolidated statement of comprehensive income for the six months ended 30 June 2015, 2016 (unaudited):

	2016			2015		
	RMB'000	% of Revenue	% of Service Revenue	RMB'000	% of Revenue	% of Service Revenue
<b>Revenue</b>	2,884,951	N/A	N/A	2,388,751	N/A	N/A
Service revenue	2,832,120	N/A	N/A	2,204,689	N/A	N/A
Cost of Sales	(2,082,316)	(72.2%)	N/A	(1,711,509)	(71.6%)	N/A
<b>Gross profit</b>	802,635	27.7%	28.3%	677,242	28.4%	30.7%
Other income, gains and loss	48,113	1.7%	1.7%	12,899	0.5%	0.6%
Selling and distribution costs	(112,217)	(3.9%)	(4.0%)	(110,631)	(4.6%)	(5.0%)
Administrative expenses	(390,651)	(13.5%)	(13.8%)	(339,572)	(14.2%)	(15.4%)
Allowance for doubtful debts	(11,382)	(0.4%)	(0.4%)	(309)	(0.01%)	(0.01%)
Amortization of intangible assets	(41,479)	(1.4%)	(1.5%)	(46,326)	(1.9%)	(2.1%)
Finance costs	(39,039)	(1.3%)	(1.4%)	(39,565)	(1.7%)	(1.8%)
Share of result of associates	10,148	0.35%	0.36%	583	0.02%	0.03%
Profit for the period	266,128	9.2%	9.4%	154,321	6.5%	7.0%
Taxation	(47,509)	(1.6%)	(1.7%)	(11,261)	(0.5%)	(0.5%)
<b>Profit for the period</b>	218,619	7.6%	7.7%	143,060	6.0%	6.5%
<b>The Group's profit attributable to owners</b>	236,237	8.2%	8.3%	139,670	5.8%	6.3%

### Revenue

For the first half of 2016, the Group's revenue was RMB2,884.951 million, representing a YoY growth of 20.8% (for 2015 1H: RMB2,388.751 million). The Group's service revenue was RMB2,832.120 million, representing a YoY growth of 28.5% (for 2015 1H: RMB2,204.689 million). The growth came from the high growths of the core customers.

The comparison of the Group's revenue by businesses for the first half of 2016 and 2015 are as follow:

	Six Months Ended 30 June 2016 RMB'000	% of Total	Six Months Ended 30 June 2015 RMB'000	% of Total	Growth Rate
Technical and Professional Services Group (TPG)	2,287,883	79.3%	1,758,020	73.6%	30.1%
Internet ITS Group (IIG)	597,068	20.7%	630,731	26.4%	(5.3%)
Total	2,884,951	100%	2,388,751	100%	20.8%

The comparison of the Group's service revenue by businesses for the first half of 2016 and 2015 are as follow:

	Six Months Ended 30 June 2016 RMB'000	% of Total	Six Months Ended 30 June 2015 RMB'000	% of Total	Growth Rate
Technical and Professional Services Group (TPG)	2,276,098	80.4%	1,613,328	73.2%	41.1%
Internet ITS Group (IIG)	556,022	19.6%	591,361	26.8%	(6.0%)
Total	2,832,120	100%	2,204,689	100%	28.5%

### Main Business Cost

For the first half of 2016, the Group's main business cost was RMB2,082.316 million, representing a YoY growth of 21.7% (for 2015 1H: RMB1,711.509 million).

### Gross Profit

For the first half of 2015, the Group's gross profit was RMB802.635 million, representing a YoY growth of 18.5% (for 2015 1H: RMB677.242 million). The Group's gross margin was 27.8%, representing a YoY decrease of 0.6% (for 2015 1H: 28.4%). The main reason for the decrease is because during the reporting period, the TPG outsourcing businesses line, a lower margin business, outgrew the Group's other businesses.

### Other Income, Gains, and Losses

For the first half of 2015, the Group's other income was RMB48.113 million, representing a YoY growth of 273.0% (for 2015 1H: RMB12.899 million). Approximately RMB20 million of the increase is because one of the clause for the U.S. subsidiary was not met, causing the Group payment exemption. Furthermore, the subsidies received this year was higher than that of last year.

### Operating Expenses

For the first half of 2016, the Group's selling and distribution expenses was RMB112.217 million, representing a YoY increase of 1.4% (for 2015 1H: RMB110.631 million). The Group's selling and distribution expenses accounted for 3.9% of the revenue, representing a YoY decrease of 0.7% (for 2015 1H: 4.6%). The Group's selling and distribution expenses accounted for 4.0% of the service revenue, representing a YoY decrease of 1.0% (for 2015 1H: 5.0%). This is because during the reporting period, the selling and distribution expenses as a percentage of revenue for the Group decreased due to faster outsourcing business growth.

For the first half of 2016, the Group's administrative expenses were RMB390.651 million, representing a YoY increase of 15.0% (for 2015 1H: RMB339.572 million). The Group's administrative expenses accounted for 13.5% of the revenue, representing a YoY decrease of 0.7% (for 2015 1H: 14.2%). The Group's administrative expenses accounted for 13.8% of the service revenue, representing a YoY decrease of 1.6% (for 2015 1H: 15.4%).

### Finance Expenses and Income Tax

For the first half of 2016, the Group's finance expenses accounted 1.4% of the revenue, representing a YoY decrease of 0.3% (for 2015 1H: 1.7%). The Group's finance expenses were RMB39.039 million (for 2015 1H: RMB39.565 million), maintaining the same level as that of last year.

For the first half of 2016, the income tax was RMB47.509 million, representing a YoY increase of 321.9% (for 2015 1H: RMB11.261 million). The reason for the increase is because of a one-time tax of RMB24.7 million for two subsidiaries of the Group.

### Other Non-Cash Expenses

For the first half of 2016, the Group's amortization of intangible assets accounted for 1.4% of the revenue, representing a YoY decrease of 0.5% (for 2015 1H: 1.9%). The Group's amortization of intangible assets was RMB41.479 million, representing a YoY decrease of 10.5% (for 2015 1H: RMB46.326 million).

For the first half of 2016, the Group's share option expenses accounted for 0.3% of the revenue, representing a YoY increase of 0.2% (for 2015 1H: 0.1%) The Group's share option expenses were RMB7.673 million, representing a YoY increase of 256.6% (for 2015 1H: RMB2.150 million). The reason for the increase is because the Group issued a 30 million share option at the end of 2015.

For the first half of 2016, the Group's allowance for doubtful debts was RMB11.382 million, representing a YoY increase of 3,583.5% (for 2015 1H: RMB0.309 million).

**Profit for the Period and Earnings Per Share**

For the first half of 2016, the Group's profit was RMB218.619 million, representing a YoY growth of 52.8% (for 2015 1H: RMB143.060 million). The Group's profit to revenue and service revenue margins were 7.6% and 7.7%, representing a YoY growth of 1.6% and 1.2% (for 2015 1H: 6% and 6.5% respectively).

Excluding the profit attributable to the non-controlling interests, the Group's profit attributable to owners of the Company was RMB236.237 million, representing a YoY growth of 69.1% (for 2015 1H: RMB139.670).

Based on the profit attributable to shareholders, the Group's basic earnings per share (EPS) was RMB 11.04 cents, representing a YoY growth of 52.7% (for 2015 1H: RMB7.23 cents).

**Fund Raising Activities**

During the current interim periods, the Group had conducted several fund raising activities which details are summarised as below:

- (1) On 26 October 2015, the Company and Huawei Technology Company Limited ("Huawei") entered into a subscription and acquisition agreement pursuant to which (i) Huawei has conditionally agreed to subscribe, and the Company has conditionally agreed to issue 85,109,515 ordinary shares of HK\$0.05 each at a consideration of HK\$238,306,641 (the subscription price is approximately HK\$2.80 per subscription share); and (ii) the Company had conditionally agreed to acquire, and Huawei has conditionally agreed to sell, 40% equity interest in Chinasoft International Technology Services Limited at a consideration of HK\$238,306,641 to be satisfied by way of cash generated from the subscription. The transactions were completed on 25 February 2016, 85,109,515 ordinary shares were issued to Huawei under specific mandate granted to the Directors at the extraordinary general meeting of the Company held on 10 December 2015. The market value of the shares subscribed by Huawei as at completion date amounts to HK\$239,158,000.
- (2) On 3 February 2016, the Company entered into a subscription agreement with Huarong International Asset Management Growth Fund L.P. ("Huarong") pursuant to which the Company has conditionally agreed to issue, and Huarong has conditionally agreed to subscribe for, a convertible loan notes in an aggregate principal amount of US\$70,000,000 (equivalent to approximately HK\$545,300,000) due in 2019. The convertible loan notes are to be issued in two tranches. The first and second tranche convertible loan notes amounted to US\$30,000,000 (equivalent to approximately HK\$233,700,000) and US\$40,000,000 (equivalent to approximately HK\$311,600,000) have been issued under general mandate on 15 February 2016 and 10 March 2016, respectively. The net proceeds from the issue of the convertible notes, after deducting all related fees and expenses, are approximately HK\$542,963,000. The Company used the proceeds for general working capital purpose.

## 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 2016 with corresponding figures as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

		For the six months ended 30 June	
	Notes	2016 RMB'000	2015 RMB'000
Turnover	3	2,884,951	2,388,751
Cost of sales		<u>(2,082,316)</u>	<u>(1,711,509)</u>
Gross profit		802,635	677,242
Other income, gains and losses		48,113	12,899
Selling and distribution costs		(112,217)	(110,631)
Administrative expenses		(390,651)	(339,572)
Allowance for doubtful debts		(11,382)	(309)
Amortisation of intangible assets		(41,479)	(46,326)
Finance costs	4	(39,039)	(39,565)
Share of result of associates		10,148	583
Profit before taxation		266,128	154,321
Taxation	5	<u>(47,509)</u>	<u>(11,261)</u>
Profit for the period		<u>218,619</u>	<u>143,060</u>
Other comprehensive income			
Exchange differences arising on transaction of foreign operations		<u>(1,469)</u>	<u>1,026</u>
Total comprehensive income for the period		217,150	144,086
Profit for the period attributable to:			
Owners of the Company		236,237	139,670
Non-controlling interests		<u>(17,618)</u>	<u>3,390</u>
		<u>218,619</u>	<u>143,060</u>
Total comprehensive income attributable to:			
Owners of the Company		234,768	140,705
Non-controlling interests		<u>(17,618)</u>	<u>3,381</u>
		<u>217,150</u>	<u>144,086</u>
Earnings per share	7		
– Basic (cents)		<u>11.04</u>	<u>7.23</u>
– Diluted (cents)		<u>10.63</u>	<u>6.71</u>



		(Unaudited) 30 June 2016 RMB'000	(Audited) 31 December 2015 RMB'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		667,508	537,593
Intangible assets		273,038	283,103
Goodwill		995,610	995,610
Interests in associates		89,005	78,857
Available-for-sale investment		58,843	49,151
Prepaid lease payments		39,151	39,583
Other receivable		8,766	11,688
Deferred tax assets		3,638	6,561
		<u>2,135,559</u>	<u>2,002,101</u>
Current assets			
Inventories		50,620	30,260
Trade and other receivables	8	2,110,440	1,429,127
Bill receivable		16,860	8,828
Prepaid lease payments		860	893
Amounts due from customers for contract work		1,623,127	1,516,660
Amount due from related companies		53,315	49,862
Pledged deposits		35,534	44,891
Bank balances and cash		746,734	1,256,831
		<u>4,637,490</u>	<u>4,346,352</u>
Current liabilities			
Trade and other payables	9	915,051	940,372
Bills payable		6,517	2,120
Amounts due to customers for contract work		125,308	87,750
Amounts due to related companies		34,184	34,667
Dividend payable to shareholders		79	78
Taxation payable		88,704	87,353
Convertible loan notes		89,622	89,622
Borrowings	10	1,021,880	1,297,016
		<u>2,281,345</u>	<u>2,538,978</u>
Net current assets		<u>2,356,145</u>	<u>1,807,374</u>
Total assets less current liabilities		<u>4,491,704</u>	<u>3,809,475</u>

		(Unaudited) 30 June 2016 RMB'000	(Audited) 31 December 2015 RMB'000
Non-current liabilities			
Deferred tax liabilities		19,450	20,504
Consideration payable on acquisition of a subsidiary		19,205	39,205
Convertible loan notes		458,455	–
Borrowings	10	274,496	263,496
		<u>771,606</u>	<u>323,205</u>
		<u>3,720,098</u>	<u>3,486,270</u>
Capital and reserves			
Share capital	11	99,538	95,645
Share premium		2,248,585	2,106,029
Reserves		1,285,375	1,045,531
Equity attributable to equity holders of the Company		<u>3,633,498</u>	<u>3,247,205</u>
Non-controlling interests		86,600	239,065
Total equity		<u>3,720,098</u>	<u>3,486,270</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to the owners of the company													
	Share capital	Share premium	Hedging reserve	Translation reserve	Share options reserve	Convertible loan notes reserve	General reserve fund	Statutory enterprise expansion fund	Statutory surplus reserve fund	Accumulated profits	Total	Non-controlling interests	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2015	88,014	1,686,561	-	(11,532)	48,813	30,391	15,793	26,749	71,303	541,287	2,497,379	203,652	2,701,031	
Profit for the period	-	-	-	-	-	-	-	-	-	139,670	139,670	3,390	143,060	
Exchange differences arising from translation of overseas operations	-	-	-	1,035	-	-	-	-	-	-	1,035	(9)	1,026	
Total comprehensive income for the period	-	-	-	1,035	-	-	-	-	-	139,670	140,705	3,381	144,086	
Acquisition of additional equity interest in subsidiary	-	-	-	-	-	-	-	-	-	-	-	7,500	7,500	
New issue of shares upon exercise of share option	237	10,220	-	-	(2,476)	-	-	-	-	-	7,981	-	7,981	
Recognition of equity-settled share based payments	-	-	-	-	2,152	-	-	-	-	-	2,152	-	2,152	
Issue of ordinary shares upon partial conversion of convertible loan notes	2,296	115,760	-	-	-	(21,605)	-	-	-	-	96,451	-	96,451	
Issue of ordinary shares upon subscription	1,973	143,258	-	-	-	-	-	-	-	-	145,231	-	145,231	
Expenses on issue of subscription shares	-	(1,454)	-	-	-	-	-	-	-	-	(1,454)	-	(1,454)	
Issue of ordinary shares upon placing	1,973	143,258	-	-	-	-	-	-	-	-	145,231	-	145,231	
Expenses on issue of placing shares	-	(3,632)	-	-	-	-	-	-	-	-	(3,632)	-	(3,632)	
At 30 June 2015	94,493	2,093,971	-	(10,497)	48,489	8,786	15,793	26,749	71,303	680,957	3,030,044	214,533	3,244,577	
At 1 January 2016	95,645	2,106,029	25,989	1,960	50,605	13,676	15,793	26,749	87,133	823,626	3,247,205	239,065	3,486,270	
Profit for the period	-	-	-	-	-	-	-	-	-	236,237	236,237	(17,618)	218,619	
Exchange differences arising from translation of overseas operations	-	-	-	(1,469)	-	-	-	-	-	-	(1,469)	-	(1,469)	
Total comprehensive income for the period	-	-	-	(1,469)	-	-	-	-	-	236,237	234,768	(17,618)	217,150	
New issue of shares upon exercise of share option	310	12,289	-	-	(1,813)	-	-	-	-	-	10,786	-	10,786	
Recognition of equity-settled share based payments	-	-	-	-	7,673	-	-	-	-	-	7,673	-	7,673	
Cancellation of share options	-	-	-	-	(784)	-	-	-	-	-	(784)	-	(784)	
Issue of ordinary shares upon subscription	3,583	197,048	-	-	-	-	-	-	-	-	200,631	-	200,631	
Capital contribution from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	100	100	
Acquisition of additional equity interest in subsidiary	-	(66,781)	-	-	-	-	-	-	-	-	(66,781)	(134,947)	(201,728)	
At 30 June 2016	99,538	2,248,585	25,989	491	55,681	13,676	15,793	26,749	87,133	1,059,863	3,633,498	86,600	3,720,098	

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Net cash used in operating activities	(560,976)	(471,596)
Net cash used in investing activities	(132,364)	(263,340)
Net cash generated from financial activities	<u>173,240</u>	<u>475,919</u>
Net decrease in cash and cash equivalents	(520,100)	(259,017)
Effect of foreign exchange rate changes	1,003	1,817
Cash and cash equivalents at the beginning of the period	<u>1,265,831</u>	<u>811,435</u>
Cash and cash equivalents at the end of the period	<u>746,734</u>	<u>554,235</u>

### 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 2015.

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 HKAS19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

### 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.

In the prior interim period, the Group had four operating divisions which represent four reportable operating segments, namely, (a) professional services business; (b) outsourcing services business; (c) emerging services business and (d) training business. During 2015, the Group reorganised its internal reporting structure to two new divisions called "technical professional services group" and "internet IT services group", following an reorganisation of the prior divisions' activities and identification of new segment managers. Subsequent to the change of the internal reporting structure, the Group has two reportable operating segments, which are (a) technical professional services group and (b) internet IT services group. Prior period segment disclosures have been represented to conform with the current year's presentation.

The Group's operating and reportable segments are as follows:

1. Technical Professional Group ("TPG") – Targeting large industry vertical enterprise customers, providing services including vertical domain solutions, product engineering, application system development and testing.
2. Internet IT Service Group ("IIG") – Targeting "long tail" markets in IT services, including SMEs and local governments, and individual programmers and small programming teams. IIG's main services provided include: membership management, transaction facilitation, payment services, social blogs/media and cloud delivery process software rental.

Information regarding the above segments is reported as below.

### Segment revenues and results

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

	For the six months ended 30 June			
	Segment revenue		Segment results	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Technical professional services business (TPG)	2,287,883	1,758,020	249,605	140,952
Internet IT services business (IIG)	597,068	630,731	67,570	60,617
	<b>2,884,951</b>	<b>2,388,751</b>	<b>317,175</b>	<b>201,569</b>

Segment revenue by products and services:

	For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Sale of software and hardware products	52,831	184,062
Technical professional services business (TPG)	2,276,098	1,613,328
Internet IT services business (IIG)	556,022	591,361
	<b>2,832,120</b>	<b>2,204,689</b>
	<b>2,884,951</b>	<b>2,388,751</b>

Reconciliation of segment results to profit before taxation:

	<b>For the six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
Segment results	317,175	201,569
Other income, gains and losses	4,189	(17)
Loan interest	(3,664)	(10,383)
Corporate expenses	(31,415)	(29,588)
Share option expenses	(7,673)	(2,152)
Effective interest on convertible loan notes	(12,484)	(5,108)
	<b>266,128</b>	<b>154,321</b>

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

The accounting policies of the reportable operating segments are the same as the Group's accounting policies.

Segment results represent the profit earned by each segment without allocation of corporate expenses, share option expenses, gain (loss) arising from changes in fair value of contingent consideration payable on acquisition of a subsidiary, interest charge on convertible loan notes and certain items of other income, gains and losses recorded at corporate level. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

#### 4. FINANCE COSTS

	<b>For the six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
Interest on borrowings wholly repayable within five years	26,555	34,457
Effective interest on convertible loan notes	12,484	5,108
	<b>39,039</b>	<b>39,565</b>

## 5. TAXATION

	For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Tax charge comprises:		
PRC Enterprise Income Tax	47,696	9,205
Hong Kong Profits Tax	-	-
The US Federal and State Income taxes	(391)	1,937
Japan Income Tax	204	119
	47,509	11,261

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 2015 and interim dividend for the period ended 30 June 2016 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	
	2016 RMB'000	2015 RMB'000
Earnings for the purposes of calculating basic earnings per share	236,237	139,670
Effect of dilutive potential profit attributable to owners of the Company:		
Interest on convertible loan notes	12,484	–
Earnings for the purpose of diluted earnings per share	248,721	139,670
	Number of shares	
	2016	2015
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	2,139,501,783	1,932,078,587
Effect of dilutive potential ordinary shares:		
Share options	18,764,108	148,005,652
Convertible loan notes	181,479,798	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	2,339,745,689	2,080,084,239

The computation of diluted earnings per share for the period ended 30 June 2015 did not assume the conversion of the convertible loan notes as the conversion would result in an increase in the diluted earnings per share.

## 8. TRADE AND OTHER RECEIVABLES

	(Unaudited) 30 June 2016 RMB'000	(Audited) 31 December 2015 RMB'000
Trade receivables	1,972,002	618,621
Less: Allowance for doubtful debts	(162,654)	(151,431)
	<u>1,809,348</u>	<u>467,190</u>
Trade receivables from related companies	1,930	687,009
	<u>1,811,278</u>	<u>1,154,199</u>
Advances to suppliers	73,584	81,208
Deposits, prepayments and other receivables	234,344	205,408
	<u>2,119,206</u>	<u>1,440,815</u>
Analysed for reporting purposes as:		
Non-current assets	8,766	11,688
Current assets	2,110,440	1,429,127
	<u>2,119,206</u>	<u>1,440,815</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 2016 RMB'000	(Audited) 31 December 2015 RMB'000
Within 90 days	1,357,674	749,704
Between 91-180 days	254,998	226,564
Between 181-365 days	148,824	164,307
Between 1-2 years	41,252	9,773
Over 2 years	8,530	3,851
	<u>1,811,278</u>	<u>1,154,199</u>

The fair value of the Group's trade and other receivables at 30 June 2016 was approximately equal to the corresponding carrying amount.

## 9. TRADE AND OTHER PAYABLES

	(Unaudited) 30 June 2016 RMB'000	(Audited) 31 December 2015 RMB'000
Trade payables	442,503	473,040
Deposits received from customers	39,089	33,170
Other payables and accrued charges	433,459	434,162
	<u>915,051</u>	<u>940,372</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 2016 RMB'000	(Audited) 31 December 2015 RMB'000
Within 90 days	277,580	366,278
Between 91-180 days	74,423	23,706
Between 181-365 days	34,746	21,568
Between 1-2 years	19,582	24,579
Over 2 years	36,172	36,909
	<u>442,503</u>	<u>473,040</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 2016 was approximately equal to the corresponding carrying amount.

## 10. BORROWINGS

	(Unaudited) 30 June 2016 RMB'000	(Audited) 31 December 2015 RMB'000
Unsecured bank loans <i>(Note (i))</i>	795,946	1,248,250
Secured bank loans <i>(Note (ii))</i>	500,430	312,262
	<u>1,296,376</u>	<u>1,560,512</u>
	(Unaudited) 30 June 2016 RMB'000	(Audited) 31 December 2015 RMB'000
Carrying amount repayable:		
Within one year	1,021,880	1,036,831
More than one year, but not exceeding two years	-	-
More than two years, but not exceeding five years	-	-
More than five years	274,496	263,496
	<u>1,296,376</u>	<u>1,300,327</u>
Carrying amount of bank loans that are repayable on demand due to breach of loan covenants	-	260,185
Less: Amounts due within one year shown under current liabilities	<u>(1,021,880)</u>	<u>(1,297,016)</u>
Amounts shown under non-current liabilities	<u>274,496</u>	<u>263,496</u>

## 10. BORROWINGS (CONTINUED)

	(Unaudited) 30 June 2016 RMB'000	(Audited) 31 December 2015 RMB'000
Total borrowings		
At fixed interest rates ( <i>Note (iv)</i> )	528,950	624,265
At floating interest rates ( <i>Note (iii)</i> )	767,426	936,247
	<b>1,296,376</b>	<b>1,560,512</b>
	(Unaudited) 30 June 2016 RMB'000	(Audited) 31 December 2015 RMB'000
Analysis of borrowings by currency		
Denominated in RMB	1,296,376	1,142,208
Denominated in USD	-	418,304

*Notes:*

- (i) Guaranteed by the Company and certain subsidiaries of the Company.
- (ii) Trade and bill receivables with a net carrying value of approximately RMB317,180,000 (2015: RMB125,662,000) are pledged to secure certain bank loans granted to the Group. The remaining bank loans amount to RMB183,250,000 (2015: RMB186,600,000) are secured by the land use right and construction in progress of the Group.
- (iii) Interests on RMB borrowings are charged at interest rates announced by the People's Bank of China. The average interest rate during the first half year of 2016 is 4.95% (2015: 5.18%) per annum.
- (iv) Interests on fixed rates borrowings are charged at interest rates ranged from 4.35% to 7% (2015: 4.6% to 7%)

In accordance with the Group's announcement on 3 May 2015, the Group has failed to comply with the provisions of the syndicated loan agreement ("non-compliances") after the Group disclosed its "change in shareholding structure" and "financial non-compliance". On 17 February 2016, the Company made full repayment of the total outstanding bank borrowings relating to the non-compliances and obtained all necessary waivers from the banks regarding the non-compliances.

## 11. SHARE CAPITAL

Ordinary shares of HK\$0.05 each:	Number of shares	Nominal amount HK\$
<b>Authorised</b>		
At 1 January 2015, 30 June 2015, 1 January 2016 and 30 June 2016	4,000,000,000	200,000,000

	Number of shares	Nominal amount HK\$	Amount shown in the financial statements RMB'000
<b>Issued and fully paid</b>			
At 31 December 2014 and 1 January 2015	1,874,585,283	93,729,265	88,014
Exercise of options	6,000,000	300,000	237
Conversion of convertible loan notes	58,202,474	2,910,124	2,296
Issue of subscription shares	50,000,000	2,500,000	1,973
Issue of placing shares	50,000,000	2,500,000	1,973
At 30 June 2015	2,038,787,757	101,939,389	94,493
Exercise of options	22,200,000	1,110,000	908
Conversion of convertible loan notes	5,820,247	291,012	244
At 31 December 2015 and 1 January 2016	2,066,808,004	103,340,401	95,645
Exercise of options	7,430,000	371,500	310
Issue of subscription shares	85,109,515	4,255,475	3,583
At 30 June 2016	2,159,347,519	107,967,376	99,538

## 12. 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.

### 13. RELATED PARTY TRANSACTIONS

During the relevant periods in 2015 and 2016, the Group had the following transactions with the following related parties:

	<i>Note</i>	For the six month ended 30 June	
		2016 RMB'000	2015 RMB'000
Provision of IT outsourcing services – Huawei Group	(a)	354,517	784,116

*Note:*

- (a) Huawei was the non-controlling owner of Chinasoft International Technology Service Co., Limited (“CSITS”), a non-wholly owned subsidiary of the Company. Following the establishment of CSITS in April 2012, Huawei Group became a related party of the Group thereafter. And Huawei Group ceased to be a related party of the Group since 25 February 2016 after it disposed its entire equity interest in CSITS.

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

### 14. EMPLOYEE AND OTHER INFORMATION

The remuneration for the employees of the Group amounted to approximately RMB2,069,392,000, including the directors' emoluments of approximately RMB7,605,000 during the six months ended 30 June 2016 (2015: approximately RMB1,518,000,000, including the directors' emoluments of approximately RMB3,160,000). The increase in employee remuneration resulted from the increase in the number of employees from 27,847 to 38,718.

The amortisation charge of intangible assets and depreciation during the six months ended 30 June 2016 of the Group amounted to approximately RMB41,479,000 (2015: RMB46,326,000) and approximately RMB23,300,000 (2015: RMB32,690,000), respectively.

**ENVIRONMENT, SOCIETY AND GOVERNANCE REPORT (“ESG REPORT”)**

Chinasoft’s vision is to “help customers to succeed, to create and share and grow together based on common drive for excellence”. To achieve this vision, the Group works with its business partners and employees in a responsible, equitable and honest manner, and makes contributions and provides services to the community in which its business locates.

The company secretary and the relevant department of the Company have been authorized to assist in the preparation of this ESG Report, for which the board of directors (the “Board”) of the Company is ultimately responsible.

**CORPORATE AND COMMUNITY**

Corporate social responsibility is not only to create social wealth through operations, but also to guide a scientific, rational and equitable distribution of social resources and wealth, which aims to both encourage the strong and help the weak, thus providing an opportunity for each group to share the results of community development.

As a flagship enterprise in the industry, Chinasoft strives to change and enhance the local economy. For instance, Chinasoft established a delivery base in Xi’an with the number of employees amounted to 8,000 in 2016, which is expected to expand to 20,000 in the future. This sets a new turning point for solving the local employment issue and drives a fundamental change in the structure of local human resources; this also serves as a good opportunity for the transformation and upgrade of the local industry and turns the software service industry into a strong driving force in supporting the digital transformation of the local industry.

“Jointforce”, an IT crowd-sourcing platform launched by Chinasoft, provides public services for the IT industry, enhances the efficiency of the IT service industry as a whole, achieves resources optimization and sharing, and is in line with the national policy. By virtue of Jointforce, traditional enterprises can achieve “Internet+” in a quick and efficient way. Meanwhile, Jointforce serves as a platform for the implementation of “innovation + entrepreneurship” by supporting individual and business entrepreneurs.

Chinasoft offers concern for vulnerable groups. The Company organized a number of care programs for vulnerable groups. In 2016, employee representatives of Chinasoft in Shenzhen visited the children in Shenzhen City Longgang District Social Welfare Center (深圳龍崗區社會福利中心) and showed their by distributing supplies. In Xi’an, the Company organized a number of visits for the employees of the Company to Shouqianshou Special Education Centre for Children (手牽手兒童特教中心) situated in Gaoling, Xian, Donations were brought to the children and teachers and interactive caring events were held. In Dalian, our local employees with loving hearts, brought supplies to Dalian Xingxingzhihuo Autism Support Centre (大連市星星之火孤獨症支持中心) and visited the autistic children.



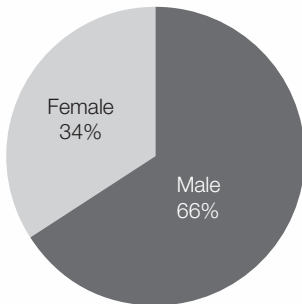
## EMPLOYEE BENEFITS AND TRAINING

Chinasoft currently has approximately 38,718 employees all over the China and around the world. It values the career development for each employee, and helps each employee to seek for excellence. The Company also offers competitive salaries in the industry by continuously conducting market research and analysis based on market principles, in order to attract and retain qualified talent.

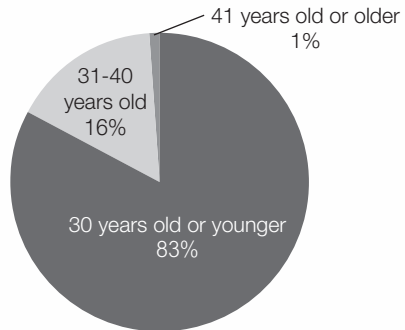
The Group has a salary incentive system closely linked to individual and organizational performance and a social security and staff welfare system in respect of the health and safety for all employees. The Group provides regular health examination arrangements for its employees, and contributes to the basic medical insurance fund for employees as required by Chinese Law. As a supplement to basic medical insurance, the Group provides additional health insurance items through commercial supplementary medical insurance as appropriate, based on the principle of needs and feasibilities.

The Company places great attention to the career development of its employees, and has developed a corresponding training system to facilitate the long-term ongoing development for the employees in the Company. The training system consists of: new employee orientation, role perception training, general knowledge training, expertise training and management training, etc. Trainings are conducted by both in-house and external training professionals and follow-up appraisals are conducted after trainings to ensure their effectiveness.

The proportion of male and female employees



The proportion of employees by age



**ENVIRONMENT CONSERVATION, ENERGY SAVING AND EMISSION REDUCTION**

In response to the policy of the State to build a resource-saving and environment-friendly community, Chinasoft actively searches for opportunities in energy conservation and emission reduction during the course of operation to reduce the overall costs of the enterprise, and to maximize the reduction of community resource consumption through the use of information technology and services.

Chinasoft endeavors to start with its daily office operations. Through measures such as standardized energy conservation, innovative technological conservation and use of renewable energies, we have established a systematic, advanced and scientific energy conservation and consumption system in the areas of office environment maintenance, office supplies management and equipment energy conservation, so as to achieve the goals of improving the level of management information, promoting e-marketing channels and developing energy-saving information technology applications. Besides achieving energy conservation and consumption reduction for the Company, we also provide information technology solutions for energy conservation and emission reduction in other sectors of the society.

**DIRECTORS' INTERESTS IN SHARES**

As 30 June 2016, 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 2016
Chen Yuhong	264,392,861	12.24%
Tang Zhenming	11,827,765	0.55%
Zeng Zhijie	250,000	0.01%

**Options to subscribe for Shares**

Name of Director	Exercise Price (HK\$)	No. of share options outstanding as at 1 January 2016	No. of share options exercised during the period	No. of share options outstanding as at 30 June 2016	Percentage of total issued ordinary share capital of the Company as at 30 June 2016	No of underlying ordinary shares interested in	Percentage of total issued ordinary share capital of the Company as at 30 June 2016	Note
Chen Yuhong	2.15	10,000,000	-	10,000,000	0.46%	10,000,000	0.46%	(2)
Tang Zhenming	0.97	800,000	(800,000)	-	-	12,000,000	0.55%	
	1.78	2,000,000	-	2,000,000	0.09%			(1)
	2.15	10,000,000	-	10,000,000	0.46%			(2)
Zheng Yaqin	3.27	3,000,000	-	3,000,000	0.14%	3,000,000	0.14%	(3)

Notes:

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

<b>Exercisable Period 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

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

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

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

- (3) These share options were offered on 16 December 2015 under the share option scheme of the Company adopted on 20 May 2013 and accepted on 31 December 2015. The share options are exercisable for a period of 3 years from the date of offer subject to the following conditions:

<b>Exercisable Period Commencing</b>	<b>Ending</b>	<b>Number of share options exercisable</b>
16/12/2015	15/12/2018	30% of the total number of share options granted
16/12/2016	15/12/2018	30% of the total number of share options granted
16/12/2017	15/12/2018	40% of the total number of share options granted

**SHARE OPTION SCHEME**

As at 30 June 2016, there were share options to subscribe for an aggregate of 150,555,000 Shares granted to certain Directors and employees of the Group pursuant to the Share Option Scheme and the New Share Option Scheme outstanding, representing 6.97% of the total issued ordinary share capital of the Company as at 30 June 2016.

During the six months ended 30 June 2016, an aggregate of 7,430,000 share options were exercised, 250,000 share options were lapsed and no share option has been granted under the Share Option Scheme and the New Share Option Scheme.

**DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Save as disclosed above, during the six months ended 30 June 2016 none of the Directors was granted options to subscribe for shares of the Company and as at 30 June 2016 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 2016, 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 2016.

**THE CODE ON CORPORATE GOVERNANCE PRACTICES**

During the six months ended 30 June 2016, the board of directors of the Company believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. The code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules have served as guideposts for the Company to follow in its implementation of corporate governance measures.

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

In the opinion of the Board, the Group has complied with the CG Code from 1 January 2016 to 30 June 2016, except that (i) the Chairman of the Board was not able to attend the annual general meeting of the Company held on 18 May 2016 (the "2015 AGM") (deviated from code provision E.1.2 of the CG Code) due to other business commitment. However, one of the independent non-executive Directors attended and acted as the Chairman of the 2015 AGM; (ii) the roles of chairman and chief executive officer should be separate and should not be performed by the same individual (deviated from code provision A.2.1 of the CG Code). Dr. Chen Yuhong currently assumes the roles of both the Chairman and the Chief Executive Office 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 it 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.

## OTHER INFORMATION

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

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rule relating to dealings in securities. Having made specific enquiry of all the Directors, the Directors complied with the Model Code regarding securities transactions by the Directors throughout the year ended 30 June 2016.

### SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors, as at 30 June 2016, the interest of the persons (not being a Director or chief executive of the Company) in the shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO were as follows:

#### Long positions in Shares

Name	Nature of interest	Approximate number of Shares (million)	Approximate percentage of total issued ordinary share of the Company	Approximate percentage of total issued share* of the Company
Prime Partners Development Limited (Note 1)	Beneficial interest	139.07	6.44%	5.81%
Huarong International Asset Management Growth Fund (Note 2)	Beneficial interest	181.99	8.43%	7.60%

\* The total number of issued share consists of 2,159,347,519 Ordinary Shares and Convertible Notes which could be converted into 234,369,839 Ordinary Shares.

Note:

1. Dr. Chen Yuhong is deemed to be interested in 139,072,725 Ordinary Shares and through Prime Partners Development Limited, which is wholly owned by Dr. Chen Yuhong.
2. Huarong International Asset Management Growth Fund is interested in 181,987,612 Ordinary Shares which could be issued upon full conversion of Convertible Notes in principal amount of US\$70,000,000, of which the first tranche of US\$30,000,000 issued on 15 February 2016 and the second tranche of US\$40,000,000 issued on 10 March 2016.

Save as disclosed above, as at 30 June 2016, 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 2016, 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 Dr. Lai Guanrong. 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 2016.

### **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 2016.

### **SUFFICIENCY OF PUBLIC FLOAT**

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company has maintained sufficient public float for the six months ended 30 June 2016.

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

23 August 2016, Hong Kong