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中软国际

CHINASOFT INTERNATIONAL LIMITED

中軟國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 354)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

HIGHLIGHTS

Annual Results for 2012

	2012 *RMB'000*	**2011** *RMB'000*	**Increase**
Revenue	2,768,171	2,243,754	23.4%
Service Revenue	2,551,395	1,959,885	30.2%
Gross Profit	915,341	729,491	25.5%
Segment Results	247,014	218,589	13.0%
Profit for the year*	172,639	155,732	10.9%
EBITDA	328,838	293,184	12.2%
Business Contribution Profit**	356,261	323,380	10.2%

* *Profit for the year means the net profit excluding the loss arising from changes in fair value of redeemable convertible preferred shares, gain arising from changes in fair value of contingent consideration payable of a business, impairment loss recognised in respect of goodwill and loss on deemed disposal of associates.*

** *Business Contribution Profit means EBITDA excluding share option expenses, net foreign exchange gain and allowance for doubtful debts.*

	2012 *RMB'000*	**2011** *RMB'000*	**Change**
Total Assets	3,442,350	2,947,534	16.8%
Total Liabilities	1,380,067	1,143,849	20.7%
Total Equity	2,062,283	1,803,685	14.3%

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2012.
- In order to ascertain the right to attend the forthcoming annual general meeting, the Register of Member will be closed from Wednesday, 15 May 2013 to Monday 20 May 2013, both dates inclusive, during which period no share transfer shall be registered.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	NOTES	**2012** **RMB'000**	2011 RMB'000
Turnover	3	**2,768,171**	2,243,754
Cost of sales		**(1,852,830)**	(1,514,263)
Gross profit		**915,341**	729,491
Other income, gains and losses		**55,235**	46,036
Selling and distribution costs		**(160,692)**	(148,706)
Administrative expenses		**(454,761)**	(309,278)
Research and development costs expensed		**(57,055)**	(45,989)
Allowance for doubtful debts		**(15,807)**	(17,417)
Amortisation of intangible assets and prepaid lease payments		**(42,967)**	(47,514)
Impairment loss recognised in respect of goodwill		**(28,054)**	(68,982)
Finance costs	4	**(31,111)**	(23,898)
Share of results of associates		**2,030**	2,618
Gain arising from changes in fair value of contingent consideration payable on acquisition of a business		**5,557**	71,718
Loss arising from changes in fair value of redeemable convertible preferred shares		**–**	(37,287)
Loss on deemed disposal of associates		**–**	(105)
Profit before taxation		**187,716**	150,687
Income tax expense	5	**(37,574)**	(29,611)
Profit for the year	6	**150,142**	121,076
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**(555)**	(680)
Total comprehensive income for the year		**149,587**	120,396
Profit for the year attributable to:			
Owners of the Company		**133,189**	110,594
Non-controlling interests		**16,953**	10,482
		150,142	121,076
Total comprehensive income attributable to:			
Owners of the Company		**132,638**	109,918
Non-controlling interests		**16,949**	10,478
		149,587	120,396
Earnings per share	8		
Basic		**RMB 0.0799**	RMB 0.0819
Diluted		**RMB 0.0774**	RMB 0.0756

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2012

	NOTES	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment		**132,853**	131,456
Intangible assets		**159,330**	157,172
Goodwill		**629,075**	657,129
Interests in associates		**27,616**	25,551
Available-for-sale investment		**25,000**	25,000
Prepaid lease payments		**42,477**	469
Deferred tax assets		**10,515**	10,069
		1,026,866	1,006,846
Current assets			
Inventories		**23,989**	24,405
Trade and other receivables	9	**1,039,396**	760,648
Prepaid lease payments		**1,038**	178
Amounts due from associates		**10,182**	5,859
Amounts due from customers for contract work	10	**561,359**	363,683
Amounts due from related companies		**205**	394
Pledged deposits		**4,468**	12,571
Bank balances and cash		**774,847**	772,950
		2,415,484	1,940,688
Current liabilities			
Amounts due to customers for contract work	10	**110,506**	56,142
Trade and other payables	11	**668,918**	613,149
Bills payable		**7,071**	21,525
Amounts due to related companies		**9,196**	3,765
Dividend payable to shareholders		**75**	75
Taxation payable		**39,312**	29,849
Borrowings	12	**309,300**	165,600
Convertible loan notes		**199,087**	–
		1,343,465	890,105
Net current assets		**1,072,019**	1,050,583
Total assets less current liabilities		**2,098,885**	2,057,429

	NOTES	2012 RMB'000	2011 RMB'000
Non-current liabilities			
Deferred tax liabilities		**17,602**	24,767
Consideration payable on acquisition of a business		**–**	5,557
Convertible loan notes		**–**	193,820
Borrowings	12	**19,000**	29,600
		36,602	253,744
		2,062,283	1,803,685
Capital and reserves			
Share capital		**81,804**	77,879
Share premium		**1,466,006**	1,392,651
Reserves		**379,814**	255,142
Equity attributable to owners of the Company		**1,927,624**	1,725,672
Non-controlling interests		**134,659**	78,013
Total equity		**2,062,283**	1,803,685

NOTES

1. GENERAL INFORMATION OF THE COMPANY

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 16 February 2000 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The shares of the Company were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 20 June 2003.

On 29 December 2008, the listing of the shares of the Company was transferred to the Main Board of the Stock Exchange.

The addresses of the registered office and principal places of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The consolidated financial statements are presented in Renminbi, which is same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of the Group are development and provision of information technology ("IT") solutions services, IT outsourcing services and training services.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments to standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which have been effective.

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Asset
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

The application of the amendments to standards in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle[1]
Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK (IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 July 2012.

Other than described below, the directors do not expect the adoption of the new and revised HKFRSs will have a material impact on the consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2015 and may have an impact on the classification and measurement of the Group's available-for-sale equity investment measured at cost less impairment. Other than this, the directors do not expect the adoption of HKFRS 9 will have material impact on the Group's consolidated financial statements based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2012.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards that are relevant to the Group are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK (SIC)-Int 12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from the investor's involvement with the investee, and (c) the ability to use the investor's power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013. However, the directors do not anticipate the adoption of these five HKFRSs will have a significant impact on the Group's consolidated financial statements other than more extensive disclosures.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

3. TURNOVER AND SEGMENT INFORMATION

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

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 year, the Group had four operating divisions which represent four operating segments, namely (a) solutions for government and manufacturing; (b) solutions for banking, financial services and insurance; (c) IT outsourcing and (d) training. In the current year, the Group changed its internal reporting structure and combined two of the four operating divisions, solutions for government and manufacturing and solutions for banking, financial services and insurance to form a new division called "professional services business", following an integration of the prior divisions' activities and identification of new segment managers. Subsequent to the change of the internal reporting structure, the Group has three reportable operating segments, which are (a) professional services business; (b) outsourcing services business (formerly IT outsourcing) and (c) training. Prior period segment disclosure has been restated to conform with the current year's presentation.

The Group's operating and reportable segments in the current year are as follows:

1. Professional services business ("PSG") – development and provision of solutions for government, manufacturing entities, banks and other financial institutions, and to a lesser extent, sales of standalone software and hardware products

2. Outsourcing services business ("OSG")

3. Training

Information regarding the above segments is reported below.

Segment revenues and results

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

	Segment revenue		**Segment results**	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Professional services business	**1,452,782**	1,214,957	**120,502**	98,201
Outsourcing services business	**1,221,800**	959,458	**113,699**	110,609
Training	**93,589**	69,339	**12,813**	9,779
	2,768,171	2,243,754	**247,014**	218,589

Reconciliation of segment results to profit before taxation:

	2012	2011
	RMB'000	*RMB'000*
Segment results	**247,014**	218,589
Other income, gains and losses unallocated	**767**	12,632
Interest charge on convertible loan notes	**(13,767)**	(12,666)
Impairment loss recognised in respect of goodwill	**(28,054)**	(68,982)
Corporate expenses	**(12,257)**	(8,456)
Share option expenses	**(11,544)**	(24,861)
Gain arising from changes in fair value of contingent consideration payable on acquisition of a business	**5,557**	71,718
Loss arising from changes in fair value of redeemable convertible preferred shares	**–**	(37,287)
Profit before taxation	**187,716**	150,687

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

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

Segment results represent the profit earned by each segment without allocation of impairment loss recognised in respect of goodwill, corporate expenses, share option expenses, gain arising from changes in fair value of contingent consideration payable on acquisition of a business, loss arising from changes in fair value of redeemable convertible preferred shares, 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.

Segment assets and liabilities

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

	2012	2011
	RMB'000	*RMB'000*
Segment assets		
Professional services business	**1,668,034**	1,350,194
Outsourcing services business	**953,321**	635,408
Training	**79,971**	60,056
Segment assets	**2,701,326**	2,045,658
Goodwill	**629,075**	657,129
Others	**111,949**	244,747
Consolidated assets	**3,442,350**	2,947,534
Segment liabilities		
Professional services business	**879,306**	687,645
Outsourcing services business	**259,976**	211,383
Training	**19,023**	18,843
Segment liabilities	**1,158,305**	917,871
Convertible loan notes	**199,087**	193,820
Others	**22,675**	32,158
Consolidated liabilities	**1,380,067**	1,143,849

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to all operating segments other than goodwill, unallocated bank balances and cash, deferred tax assets and assets used jointly by the operating segments.

- all liabilities are allocated to operating segments other than convertible loan notes, deferred tax liabilities and liabilities for which operating segments are jointly liable.

Other information

Amounts included in the measure of segment expenses (income) and segment asset:

	PSG		OSG		Training		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Additions to non-current assets, other than deferred tax assets	**67,775**	42,664	**64,119**	33,775	**5,419**	9,885	**137,313**	86,324
Interests in associates	**23,179**	21,620	**4,437**	3,931	**–**	–	**27,616**	25,551
Depreciation of property, plant and equipment	**14,313**	15,312	**29,376**	19,467	**2,888**	4,268	**46,577**	39,047
Amortisation of intangible assets and prepaid lease payments	**37,788**	37,344	**4,816**	9,985	**363**	185	**42,967**	47,514
Allowance for doubtful debts	**15,498**	16,513	**–**	394	**309**	510	**15,807**	17,417
Interest income	**(1,777)**	(2,696)	**(705)**	(757)	**(11)**	(9)	**(2,493)**	(3,462)
Finance costs	**10,935**	6,532	**6,164**	4,522	**245**	178	**17,344**	11,232
Share of results of associates	**(2,030)**	(2,618)	**–**	–	**–**	–	**(2,030)**	(2,618)
Loss on disposal of property, plant and equipment	**15**	437	**122**	130	**–**	6	**137**	573

Geographical information

The Group's operations are mainly located in its country of domicile (i.e. the PRC and HK) and to a lesser extent, USA and Japan.

The Group's revenues from external customers (based on location of the signing party of the sales/service contract) and information about its non-current assets, other than deferred tax assets and financial assets, by geographical location are detailed below:

	Revenues from external customers		Non-current assets, other than deferred tax assets and available-for-sale investment	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC and HK	**2,455,824**	2,005,120	**989,953**	970,421
USA	**249,101**	209,154	**1,130**	1,154
Japan	**63,246**	29,480	**268**	202
	2,768,171	2,243,754	**991,351**	971,777

Segment revenue by products and services:

	2012	2011
	RMB'000	*RMB'000*
Sale of software and hardware products	**216,776**	283,869
Provision of services		
Professional services	**1,236,006**	931,088
Outsourcing services	**1,221,800**	959,458
Training	**93,589**	69,339
	2,551,395	1,959,885
	2,768,171	2,243,754

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2012	2011
	RMB'000	*RMB'000*
Customer A	**572,517**	402,194
Customer B	**280,985**	237,893

4. FINANCE COSTS

	2012	2011
	RMB'000	*RMB'000*
Interest on borrowings wholly repayable within five years	**17,344**	11,232
Effective interest on convertible loan notes	**13,767**	12,666
	31,111	23,898

5. INCOME TAX EXPENSE

	2012	2011
	RMB'000	*RMB'000*
Tax charge comprises:		
PRC Enterprise Income Tax		
– current year	**46,157**	38,928
– over provision in prior year	**(2,047)**	(721)
	44,110	38,207
The US Federal and State Income taxes	**6**	86
Japan Corporate Income Tax	**901**	379
Hong Kong Profits Tax	**168**	–
	45,185	38,672
Deferred tax	**(7,611)**	(9,061)
	37,574	29,611

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards unless subject to tax exemption set out below.

Pursuant to a certificate issued by Beijing Municipal Science and Technology Commission dated 11 October 2011, Chinasoft Beijing had been designated as a High and New Technology Enterprise ("HNTE") for a period up to 11 October 2014 and its income tax rate was reduced from 25% to 15%.

Pursuant to a certificate issued by Beijing Municipal Science and Technology Commission dated 24 December 2008, Chinasoft Resources Beijing had been designated as a HNTE till the end of 2011. Moreover, pursuant to a certificate issued by Beijing Municipal Science and Technology Commission dated 11 October 2011, Chinasoft Resources Beijing had been designated as a HNTE till the end of 2014. As a result, Chinasoft Resources Beijing is subject to the income tax rate of 15% for both years.

Pursuant to a certificate issued by Shanghai Municipal Science and Technology Commission dated 28 September 2010, Chinasoft Resources Shanghai had been designated as a HNTE for a period up to 27 September 2013. As a result, the income tax rate of Chinasoft Resources Shanghai was reduced from 25% to 15% for both years.

Pursuant to a certificate issued by Shanghai Municipal Science and Technology Commission dated 20 October 2011, Shanghai Huateng had been designated as a HNTE for a period up to 20 October 2014. As a result, Shanghai Huateng is subject to the income tax rate of 15% for both years.

Chinasoft Resources Shenzhen is located in the Shenzhen Special Economic Zone and the applicable tax rate was 15% before the effective date of the new EIT Law. With effect from 1 January 2008, the tax rate has increased progressively to 25%. The applicable tax rate of the Special Economic Zone is 25% in 2012 (2011: 24%). As a result, Chinasoft Resources Shenzhen is subject to the income tax at the rate of 25% for the year ended 31 December 2012 (2011: 24%).

Pursuant to a certificate issued by the Industry and Information Technology Department of ShaanXi Province dated 25 December 2012, CSITS had been designated as a software enterprise for a period up to 25 December 2017. As such, CSITS was entitled to the two year's exemption from income tax followed by three years of 50% tax reduction with effect from 2012. As a result, CSITS is exempted from income tax for the year ended 31 December 2012.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to profit before taxation as follows:

	2012 ***RMB'000***	2011 *RMB'000*
Profit before taxation	**187,716**	150,687
Tax at PRC Enterprise Income Tax rate of 25% (2011: 25%)	**46,929**	37,672
Tax effect of share of results of associates	**(508)**	(655)
Tax effect attributable to tax exemptions and concessions granted to PRC subsidiaries	**(30,236)**	(42,362)
Tax effect of expenses not deductible for tax purpose	**22,580**	44,919
Tax effect of income not taxable for tax purpose	**(15,777)**	(20,063)
Over provision in prior year	**(2,047)**	(721)
Tax effect of utilisation of tax losses previously not recognised	**(2,347)**	(1,313)
Tax effect of tax losses not recognised	**17,542**	11,918
Effect of different tax rates of subsidiaries	**1,438**	216
Income tax expense for the year	**37,574**	29,611

6. PROFIT FOR THE YEAR

	2012	2011
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Directors' remuneration	**4,470**	3,463
Other staff costs	**1,546,251**	1,115,622
Retirement benefits costs (excluding those for directors)	**158,276**	89,865
Share option expenses	**11,544**	24,861
Total staff costs	**1,720,541**	1,233,811
Less: Staff costs capitalised as development costs	**(22,494)**	(14,073)
	1,698,047	1,219,738
Research and development costs expensed	**64,609**	50,987
Less: Government grants	**(7,554)**	(4,998)
	57,055	45,989
Depreciation of property, plant and equipment	**46,577**	39,047
Amortisation of intangible assets	**42,812**	47,358
Amortisation of prepaid lease payments	**155**	156
	89,544	86,561
Auditor's remuneration	**4,300**	3,800
Cost of inventories recognised as an expense	**176,668**	241,301
Loss on disposal of property, plant and equipment	**137**	573
Minimum lease payments in respect of buildings	**91,495**	58,326
Net foreign exchange loss	**72**	–
and after crediting:		
Interest income from pledged deposits and bank balances	**3,326**	3,802
Government grants	**48,524**	26,628
Net foreign exchange gain	**–**	12,082
Tax incentive subsidies	**4,562**	3,463

7. DIVIDEND

No dividend was paid or proposed during 2011 and 2012, nor has any dividend been proposed since the end of the reporting period.

8. EARNINGS PER SHARE

	2012	2011
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic and dilutive earnings per share (Profit for the year attributable to owners of the Company)	**133,189**	110,594

Number of shares

	2012	2011
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,667,556**	1,349,785
Effect of dilutive potential ordinary shares:		
Share options	**53,812**	113,451
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,721,368**	1,463,236

The computation of diluted earnings per share for the year ended 31 December 2011 did not assume the conversion of the Company's outstanding redeemable convertible preferred shares prior to their conversion or the Company's outstanding convertible loan notes because the assumed conversion would result in an increase in earnings per share.

The computation of diluted earnings per share for the year ended 31 December 2012 did not assume the conversion of the Company's outstanding convertible loan notes because the assumed conversion would result in an increase in earnings per share.

9. TRADE AND OTHER RECEIVABLES

	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**589,501**	717,577
Less: Allowance for doubtful debts	**(95,114)**	(79,307)
	494,387	638,270
Trade receivables from related companies *(Note)*	**335,422**	1,664
	829,809	639,934
Advances to suppliers	**91,114**	39,296
Deposits, prepayments and other receivables	**118,473**	81,418
	1,039,396	760,648

Note: The balances principally arose from provision of services by the Group to certain related companies. As at 31 December 2012, the balances included an amount of RMB334,791,000 due from the group of Huawei and its subsidiaries ("Huawei Group") which became a related party following the establishment of Chinasoft International Technology Services Limited in April 2012.

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:

	2012	2011
	RMB'000	*RMB'000*
Within 90 days	**601,133**	483,793
Between 91 – 180 days	**116,221**	80,316
Between 181 – 365 days	**54,822**	39,804
Between 1 – 2 years	**56,828**	30,293
Over 2 years	**805**	5,728
	829,809	639,934

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by each customer. Limits attributed to customers are reviewed each time. 67% (2011: 71%) of the trade receivables that are neither past due nor impaired have the best credit quality assessed by the Group.

Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of RMB210,169,000 (2011: RMB131,106,000) which are past due at the reporting date for which the Group has not provided for an impairment loss as the Group is satisfied with the subsequent settlement and the credit quality of these customers had not been deteriorated. Accordingly, the Group does not consider these balances impaired. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	2012	2011
	RMB'000	*RMB'000*
Within 90 days	**2,038**	12,601
Between 91 – 180 days	**95,676**	42,680
Between 181 – 365 days	**54,822**	39,804
Between 1 – 2 years	**56,828**	30,293
Over 2 years	**805**	5,728
Total	**210,169**	131,106

The Group has provided full impairment losses for all receivables aged over 3 years because historical experience is such that receivables that are past due beyond 3 years are generally not recoverable.

Movement in the allowance for doubtful debts

	2012	2011
	RMB'000	*RMB'000*
Balance at beginning of the year	**79,307**	61,890
Impairment losses recognised on receivables	**15,807**	17,417
Balance at end of the year	**95,114**	79,307

10. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2012	2011
	RMB'000	*RMB'000*
Contracts in progress at the end of the reporting period		
Contract costs incurred plus recognised profits less recognised losses	**1,840,047**	1,557,975
Less: Progress billings	**(1,389,194)**	(1,250,434)
	450,853	307,541
Analysed for reporting purposes as:		
Amounts due from contract customers for contract work	**561,359**	363,683
Amounts due to contract customers for contract work	**(110,506)**	(56,142)
	450,853	307,541

At 31 December 2012, retentions held by customers for contract work amounted to RMB7,378,000 (2011: RMB3,680,000). There are no advances received from customers for contract work at the end of 2012 and 2011.

11. TRADE AND OTHER PAYABLES

	2012	2011
	RMB'000	*RMB'000*
Trade payables	**342,149**	283,359
Trade payables to related companies *(Note)*	**2,996**	–
	345,145	283,359
Deposits received from customers	**50,960**	41,505
Other payables and accrued charges	**272,813**	288,285
	668,918	613,149

An aged analysis of trade payables, presented based on the invoice date at the end of the reporting period is as follows:

	2012	2011
	RMB'000	*RMB'000*
Within 90 days	**143,443**	161,373
Between 91 – 180 days	**36,729**	20,780
Between 181 – 365 days	**49,998**	20,811
Between 1 – 2 years	**89,102**	65,345
Over 2 years	**25,873**	15,050
	345,145	283,359

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that sufficient working capital is maintained to meet its obligations when they fall due.

Note: The balance arose from provision of service by Huateng Intelligent to the Group during the year ended 31 December 2012.

12. BORROWINGS

	2012	2011
	RMB'000	*RMB'000*
Unsecured bank loans *(Note (i))*	**328,300**	195,200

	2012	2011
	RMB'000	*RMB'000*
Carrying amount repayable:		
Within one year	**309,300**	165,600
More than one year, but not exceeding two years	**19,000**	29,600
	328,300	195,200
Less: Amounts due within one year shown under current liabilities	**(309,300)**	(165,600)
Amounts shown under non-current liabilities	**19,000**	29,600

	2012	2011
	RMB'000	*RMB'000*
Total borrowings		
At fixed interest rates	**84,000**	–
At floating interest rates *(Note (ii))*	**244,300**	195,200
	328,300	195,200

	2012	2011
	RMB'000	*RMB'000*
Analysis of borrowings by currency		
Denominated in RMB	**328,300**	195,200

Notes:

(i) Guaranteed by the Company and certain subsidiaries of the Company.

(ii) Interests on RMB borrowings are charged at interest rates announced by the People's Bank of China. The average interest rate during the year is 6.46% (2011: 6.71%) per annum.

MANAGEMENT DISCUSSION AND ANALYSES

KEY OPERATING DATA

The key operating data of the consolidated statement of comprehensive income of the Group are set out as follows:

	2012	2011	Year-on-year
	RMB'000	*RMB'000*	increase %
Revenue	**2,768,171**	2,243,754	23.4%
Service revenue*	**2,551,395**	1,959,885	30.2%
Cost of sales	**(1,852,830)**	(1,514,263)	22.4%
Gross profit	**915,341**	729,491	25.5%
Other income, gains and losses	**55,235**	46,036	20.0%
Selling and distribution costs	**(160,692)**	(148,706)	8.1%
Administrative expenses	**(454,761)**	(309,278)	47.0%
Research and development cost expensed	**(57,055)**	(45,989)	24.1%
Provision for doubtful debts	**(15,807)**	(17,417)	(9.2%)
Amortisation of intangible assets and prepaid lease payments	**(42,967)**	(47,514)	(9.6%)
Finance costs	**(31,111)**	(23,898)	30.2%
Share of results of associates	**2,030**	2,618	(22.5%)
Profit before taxation	**210,213**	185,343	13.4%
Taxation	**(37,574)**	(29,611)	26.9%
Profit for the year***	**172,639**	155,732	10.9%
+Taxation	**37,574**	29,611	26.9%
+Finance costs	**31,111**	23,898	30.2%
+Depreciation of property, plant and equipment	**46,577**	39,047	19.3%
+Amortisation of intangible assets and prepaid lease payments	**42,967**	47,514	(9.6%)
–Share of results of associates	**2,030**	2,618	(22.5%)
EBITDA**	**328,838**	293,184	12.2%
+Share option expenses	**11,544**	24,861	(53.6%)
–Net foreign exchange gain	**(72)**	12,082	(100.6%)
+Provision for doubtful debts	**15,807**	17,417	(9.2%)
Business contribution profit**	**356,261**	323,380	10.2%

The key operating data above has excluded the loss arising from changes in fair value of redeemable convertible preferred shares which are considered to be derivative financial instruments (2012: nil; 2011: RMB37,287,000), the gain arising from changes in fair value of contingent consideration payable on acquisition of business (2012: RMB5,557,000; 2011: RMB71,718,000), impairment loss in respect of goodwill (2012: RMB28,054,000; 2011: RMB68,982,000) and loss on disposal of associates (2012: nil; 2011: RMB105,000).

Note:* The service revenue is extracted from note 3 to the consolidated financial statements. Please refer to the section headed "Revenue" under the "Operating Results" below for detailed analysis.

*Note**:* EBITDA and business contribution profit (EBITDA excluding share option expenses, net foreign exchange gain and provision for doubtful debts) are the true reflection of business profitability. Please refer to the section headed "Earnings Capability" below for detailed analysis.

*Note***:* Profit for the year means net profit excluding the gain arising from changes in fair value of contingent consideration payable on acquisition of business, impairment loss recognised in respect of goodwill, loss on disposal of associates, and the loss arising from changes in fair value of redeemable convertible preferred shares.

GENERAL OVERVIEW

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

	2012	2011	Growth rate
	RMB'000	*RMB'000*	
Revenue	**2,768,171**	2,243,754	23.4%
Service revenue	**2,551,395**	1,959,885	30.2%
EBITDA	**328,838**	293,184	12.2%
Business contribution profit	**356,261**	323,380	10.2%

In 2012, the growth in revenue, service revenue and results by business lines of the Group is set out as follows:

	Revenue			Service revenue			Results		
	2012	2011	Growth	**2012**	2011	Growth	**2012**	2011	Growth
	RMB'000	*RMB'000*	rate	***RMB'000***	*RMB'00*	rate	***RMB'000***	*RMB'00*	rate
Professional Services Business (PSG)	**1,452,782**	1,214,957	19.6%	**1,236,006**	931,088	32.7%	**120,502**	98,201	22.7%
Outsourcing Services Business (OSG)	**1,221,800**	959,458	27.3%	**1,221,800**	959,458	27.3%	**113,699**	110,609	2.8%
Training Business	**93,589**	69,339	35.0%	**93,589**	69,339	35.0%	**12,813**	9,779	31.0%
Total	**2,768,171**	2,243,754	23.4%	**2,551,395**	1,959,885	30.2%	**247,014**	218,589	13.0%

Note: "Results" refer to the profit earned/loss incurred before the allocation of impairment loss recognised on goodwill, corporate expenses, share option expenses and loss arising from changes in fair value of redeemable convertible preferred shares, gain arising from changes in fair value of contingent consideration payable on acquisition of business, effective interests of convertible loan notes, and other income, gains and losses recorded at the Company level. (Extracted from note 3 of the consolidated financial statements)

One may see that there was a relatively substantial growth in revenue, service revenue and results of the Group's business lines as compared with that of the previous year. The growth of results was mainly contributed by the professional services business.

The Group's major business growth drivers in 2012 were as follows:

All of the Group's main business sectors achieved strong results and simultaneous rapid growth, of which:

1. The Professional Services Business achieved a year-on-year increase of 19.6% in revenue and 32.7% in revenue from service respectively.

   During the reporting period, the Group maintained its leading position as a service provider in the auditing industry. Since the Golden Auditing Project II was fully accepted and received after examination in 29 provinces and 5 cities on the proposal list, the Group has been involved in the preparatory work for the Golden Auditing Project III of the National Audit Office and local audit authorities. The Chief Auditor of the National Audit Office spoke highly of the construction of the Golden Auditing Project II, "the construction of the Golden Auditing Project has played an irreplaceable role in improving efficiency and quality of auditing." The Group was awarded the tender for "Early Warning System for National Public Emergencies", a core application system for the China Meteorological Administration. The system is one of the 12 major projects in the meteorological industry under the 12th Five-Year Plan and it is of high influence in the community. In addition, the Group achieved coordination and connection between national projects and local projects by obtaining the tender for "Early Warning System for Public Emergencies" in Panjin city, which laid a foundation for the promotion of local commercialization nationwide. The Group made a breakthrough in its first project in marine industry by contracting the "Platform Project for Monitoring Ocean Communication Device" with the Marine Environmental Forecasting Center of State Oceanic Administration. The Execution permission and approval project of Environmental Protection Bureau in a province in Central China started its trial run, which materialized extranet reporting, private networking reporting and communication with reporting countries in terms of construction and management and laid a foundation for the future promotion across provinces and cities in the whole nation. In the enterprises market, the Group formed a joint venture company with Shandong Zhaojin Group (山東招金集團), to be committed to mining information product development and solution integration, which has laid a solid foundation for the Group to be a chief integration service provider of mining information in the future.

During the reporting period, the Group executed contracts with Guangfa Bank, Ping An Bank and a dozen of urban commercial banks for financial IC Card, maintaining it superior position by accounting for the largest market presence. Regarding the key supply chain financial platform products among emerging credit products, the Group was awarded tender from and signed contracts with Pufa Bank and Minsheng Bank following the Bank of Communications and Guangfa Bank, which further strengthened the leading position of Chinasoft International in the trading and financial market. The relocation of credit card core system of China Everbright Bank was successfully launched, which made the Group be recognized by customers and the industry for its superior integration capabilities in the credit card sector and further strengthened its leading position in the sector.

During the reporting period, the Group signed a strategic cooperation agreement with a world-leading insurance core application software provider and jointly secured the implementation and service on core system projects from a number of clients. The Group also signed a strategic framework agreement with a life insurance company in China and became strategic partners. Leveraging on the professional capability on BPM in the insurance industry, the Group successfully became a major service provider for another life insurance company in China. The Group won the tender for the service bus project of a life insurer, which laid a foundation for subsequent marketing across the whole insurance industry. Based on its strength in respect of the payment and clearing in the financial industry and with a good brand effect, the Group carried out in-depth cooperation with China Securities Depository & Clearing Corp. Ltd. Shanghai Branch in the development and maintenance of the depository and clearing system, which marked the Group's successful entry into the core business area in the securities industry and laid a solid foundation for our deployment in the securities industry.

During the reporting period, the Group maintained its top rank position for its market share in the MES (Manufacturing Execution System) area and was awarded the tender for MES system for a tobacco company. The Group was also awarded the 12th Five-Year IT Planning Project from another tobacco factory, which showed an unparalleled breakthrough in IT planning at factory level in the tobacco industry and would be a great example for promotion. The Group was also awarded the tender for Management Information System Project on Internal Control on Tobacco Monopoly of State Tobacco Monopoly Administration, which made it the pioneer in the establishment of internal control system for tobacco monopoly and tobacco monopoly system. The Group also won the tender for MES system construction project of a tobacco re-dryer in a southeastern coastal city, which has been the first MES system construction for tobacco re-dryers in the country. The MES System Project of a banknote printing company was well received after examination, which serves as an important reference and demonstrator for MES establishment and experience output in the banknote printing industry and provides the business development opportunity in the banknote printing industry in the future.

During the reporting period, the Group tapped fully into the electric power industry, and made a breakthrough by engaging in the projects including system development, system implementation and application operation and maintenance of State Grid Corporation and a number of its grid companies at provincial level. It completed the acquisition of Along Grid's (愛朗格瑞) electric power information service business serving the State Grid, thus further enhancing its service capabilities in the industry.

During the reporting period, the Group secured a contract for Automatic Fare Collection System for Bus Rapid Transit in an eastern coastal city, and acted as the integrator and core software provider of the project. Solutions and experience from the project can apply to various provinces and developed places and cities, which showed a favourable prospect. The core system/frontline system of an e-payment card operation company in a major city in Southeast China was successfully launched. The Group provided services to facilitate smooth operation of the fare collection system for the intercity railway in an eastern city, being the first railway supporting both tickets and transportation cards in China, so that suburban railways and rail transit and buses were integrated and real "public transportation convenience" materialized, which was a pioneer for domestic railway ticketing system.

During the reporting period, the Group was awarded the "Mobile Business Travel Project" of China Mobile Design Institute, which established an internal e-commerce platform for business travel and developed a client terminal for the entire China Mobile Group and suppliers. This product will also be promoted to public users. The Group cooperated with a world leading information and communication solution provider on product collaboration. Through this collaboration, telecommunication operators worldwide will be provided with mobile internet and communication-integrated platform and mobile client terminals. Through CCTV5+ project, the mutual development based cooperation with AliCloud was accomplished; through the cooperation with different business units of Ali Group in respect of mobile terminals development and testing, the Group started the collaboration of scale with Ali Group. The Group was awarded the tender for the "Wireless City Service System Project of China Mobile", which laid a solid foundation for the Group in the IT construction for mobile groups, and provided preferential access to subsequent connection to this wireless city project.

During the reporting period, the Group signed a strategic cooperation agreement with AliCoud to jointly develop PaaS platform, by which both parties will work together to embed R1 products (including FramePortal, SOA Suite and BizFoundation) in Ali OS, and will provide Java-based development services and cloud-based SOA services. This cooperation will undoubtedly be an indelible milestone in the history of the infrastructure of China Cloud.

2. The Outsourcing Services Business achieved a year-on-year increase of 27.3% in revenue and revenue from service.

   During the reporting period, the joint venture with Huawei was officially established and has started operation and achieved stable growth in performance. The advantage of the joint venture has started to emerge. By deploying the business segments including customization, platform, process and IT in all respects and making breakthroughs, the Group has laid a sound foundation for capturing market by differential performance during the integration of suppliers to achieve rapid business growth. In response to the deployment of business segments of clients, the Group has responsively intensified the expansion in the west and in the cities including Xiamen, Shijiazhuang, Suzhou, Shenyang, Yinchuan and Changsha. In particular, it recorded a 100% growth in Xi'an and Chengdu. The strategy of deployment in the third-tier cities was effectively implemented. The establishment of the joint venture will quicken the pace to create an environment for service outsourcing industry nationwide, enhancing competitiveness of China's software service outsourcing industry in international market.

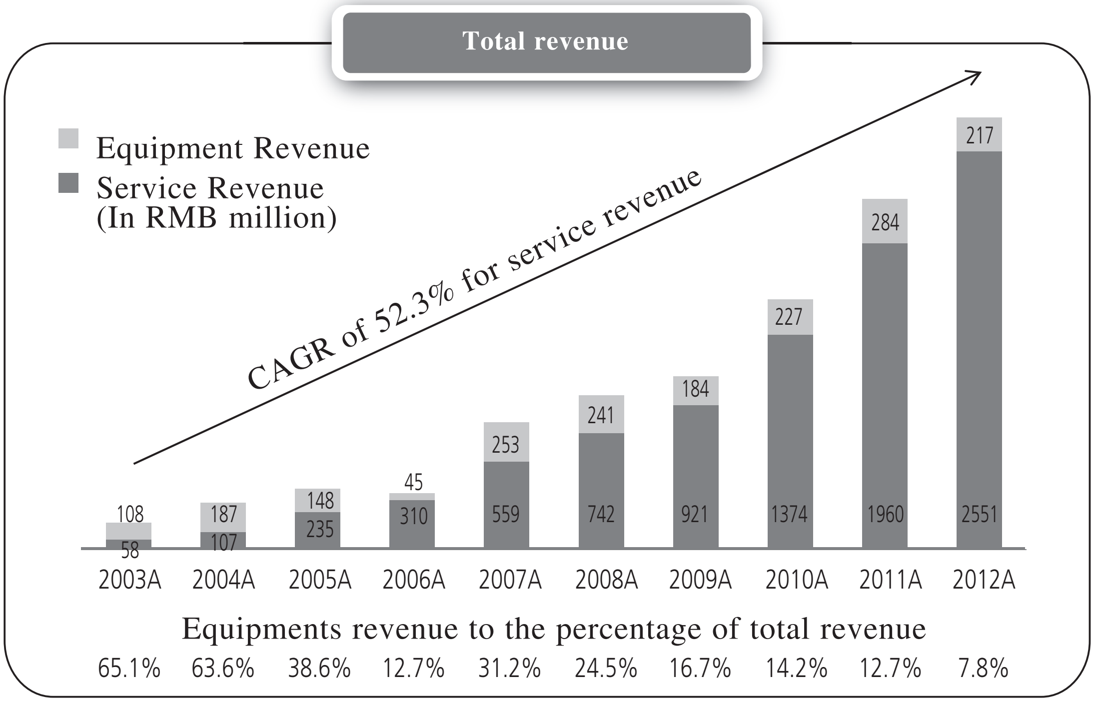
   During the reporting period, the Group was awarded "2011 Microsoft Preferred Supplier Program Excellence Awards—Value Excellence Award" by Microsoft's headquarter. It is one of the most authoritative, challenging and meaningful awards, which represented the recognition by Microsoft's headquarter and their intention to maintain a long-term strategic partnership with outstanding providers. In addition to qualifying for a preferred supplier of Microsoft, the Group secured another framework contract with Microsoft for a term of three years. The business of a well-known Japanese mobile communication company has grown steadily and achieved the first rank in KPI assessment for providers.

During the reporting period, the Group provided comprehensive services to a top Chinese e-commerce enterprise. This was a remarkable breakthrough in the internet and e-commerce area that laid a foundation for becoming one of the core providers in the e-commerce industry chain. The Group also deepened its cooperation with a premier online travelling service company to develop internet solution capability in the tourism vertical. The Group conducted local test and engineering for an important product for a major IT product company, covering 20+ dominant languages and 60+ LIP languages. The Group provided 24*7 online technical support services for the cloud product of a client. The Group's business at a well-known Japanese housing constructor also recorded a steady growth with a bright prospect going forward. In the backdrop of a steady business growth of a personnel recruitment magazine enterprise, it provided new personnel services, which represented an important milestone in the expansion of mid to high-end BPO business. As a milestone of financial outsourcing business, the Group successfully signed a contract with Seven Bank of Japan.

3. The Training Services achieved a year-on-year increase of 35.0% in revenue and revenue from service.

   During the reporting period, the Group signed on with 9 additional colleges (accumulative total of 61), of which 9 institutes/professional colleges were jointly built (accumulative total of 45). Regarding the internet of things and mobile internet, the Group constructed and jointly built laboratories, technology R&D centers with 16 colleges, including Beijing Jiaotong University, Tianjin University, Taiyuan University of Technology and Nanjing University of Aeronautics and Astronautics in order to start collaboration on additional profession approval and jointly-built projects. Regarding this area, the Group jointly organized training for "young backbone tutors" nationwide with the Office of National Demonstration School of Software of Ministry of Education. During the reporting period, ChinaSoft International was among the first elite batch of companies that were granted an approval jointly issued by 23 Chinese government ministries and departments including the Ministry of Education, Ministry of Commerce, and Ministry of Industry and Information Technology, to build the "State-level Project Practice Education Center" with 18 universities and colleges, including Beijing Jiaotong University, Beijing Industrial University, Harbin Institute of Technology and University of Electronic Science and Technology of China. The Group had the largest number of cooperated universities and colleges among this elite batch of companies. In the teaching area, the Group was approved as the cooperative enterprise of "2012 National Tutor Training for Vocational Education" and participated in national training program on the Internet of things and mobile internet for tutors of higher technical and vocational education.

Since the listing on the Growth Enterprise Market in 2003, the Group's revenue and service revenue have maintained rapid growth, recording a CAGR of 36.7% and 52.3% over the period from 2003 to 2012 respectively. The details are set out as follows:



CUSTOMER

The Group's customers include large enterprises headquartered in Greater China, Europe, the US and Japan. It had a relatively large market share in the fast-growing Chinese market, particularly in the mainstream industries such as the government and manufacturing industry, finance and banking industries, telecom industry and high-tech industry. In 2012, service revenue from the top five customers accounted for 35.1% of the Group's total service revenue while those from the top ten customers accounted for 39.9%. With the Group's continuous development of new customers and intensive tapping of existing customers in the vertical industries, it is expected that the proportion of service revenue from the top ten customers to the Group's total service revenue will further decline.

In 2012, the number of active customers was 995, of which 402 are new customers. In 2012, the Group had 61 major customers each generating service revenue of more than RMB6 million.

MARKET

The Group operated its businesses mainly in Greater China. In 2012, the Group continued to set Greater China market as an important area for development. China's strong economic growth and the immense market potentials embedded in the region gave rise to long-term growth opportunities for the Group. At the same time, several of the Group's large multinational corporate customers also intended to set China as the most crucial part of their global layout, which was a clear indication of their confidence of the Chinese economy and a rare development opportunity for the Group's businesses.

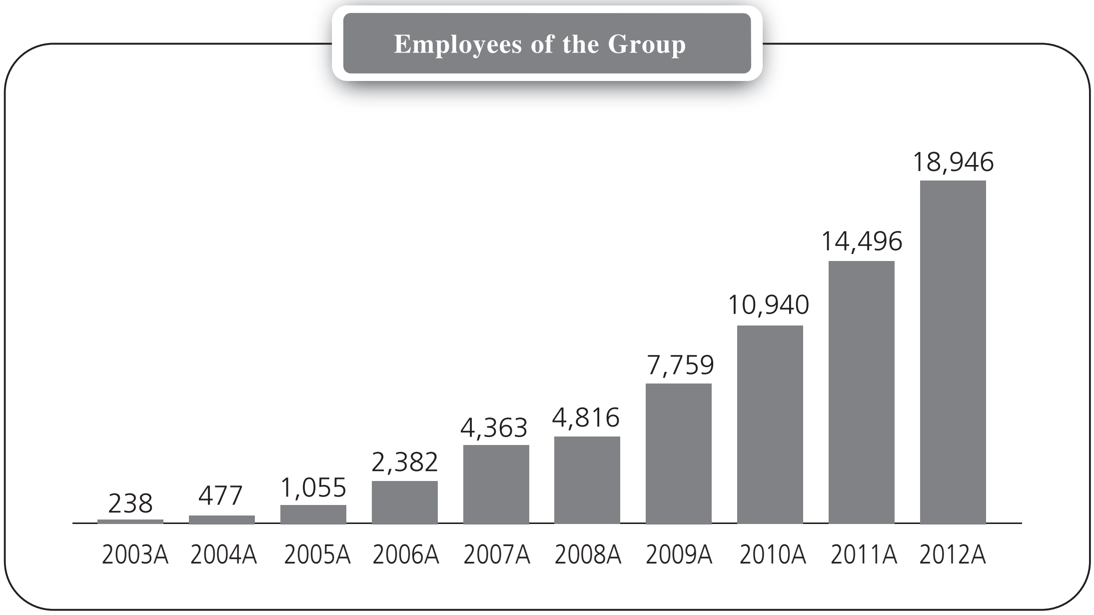
Human Resources

As of the end of 2012, the Group had altogether 18,946 employees, representing an increase of 30.7% over 14,496 employees as of the end of 2011, of which 17,161 employees were technicians accounting for 90.6% of the Group's total number of employees, and 1,789 employees were project managers and key consulting staff accounting for 9.4% of the Group's total number of technical employees.

The average turnover rate of the Group through 2012 was 20.5%, which was lower than the sector average level. Despite that the costs of human resources have increased continuously in recent years, the Group was still able to continue to increase its profitability through the continuous increase of the business income and a series of cost and performance management measures (including reasonable human resources allocation structure for stabilising overall cost levels, continuous input of resources into research and development for increasing the re-use of technology and optimisation of incentive policy for improving production efficiency among employees).

The Group's ETC business line cooperated with over 400 universities and colleges and education institutions in setting up training centers in Beijing, Tianjin, Dalian, Changsha, Wuxi, Chongqing, Xiamen, Nanjing and Chengdu to customise development training programmes for the business divisions of the Group. Each business division could participate in the course design, process tracking and appraisal to select quality students from a huge talent pool, hence ensuring constant supply of practical personnel.

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



EARNINGS CAPABILITY

In 2012, the Group's EBITDA was RMB328.838 million (2011: RMB293.184 million), representing a growth of 12.2% over the same period of previous year. EBITDA ratio was 11.9% in 2012 (2011: 13.1%), representing a year-on-year decrease of 1.2% (EBITDA ratio was 12.9% if measured on the basis of service revenue (2011: 15.0%), representing a decrease of 2.1% over the same period of the previous year). Set out below is the breakdown for the reconciliation of the profit for the year to EBITDA:

	2012 ***RMB'000***	2011 *RMB'000*	Growth%
Profit (Loss) for the year	**150,142**	121,076	24.0%
+Taxation	**37,574**	29,611	26.9%
+Finance costs	**31,111**	23,898	30.2%
+Depreciation of property, plant and equipment	**46,577**	39,047	19.3%
+Amortisation of intangible assets and prepaid lease payments	**42,967**	47,514	(9.6%)
+Loss arising from changes in fair value of redeemable convertible preferred shares	**–**	37,287	N/A
–Gain arising from changes in fair value of contingent consideration on acquisition of business	**5,557**	71,718	(92.3%)
+Impairment loss recognised in respect of goodwill	**28,054**	68,982	(59.3%)
+Loss on disposal of associates	**–**	105	N/A
–Share of results of associates	**2,030**	2,618	(22.5%)
EBITDA	**328,838**	293,184	12.2%

In order to assist shareholders and investors in comparing the Group's business trends during different reporting periods and in understanding more clearly the Group's continuous business achievements and to facilitate the comparison of the Group's business achievements with other similar companies, it has excluded the impacts of the profit and loss items of non-business and non-cash nature in the EBITDA (for example: share option expenses, net foreign exchange (gain) loss and allowance for doubtful debts) in its calculation of the business contribution profit for 2012. Set out below is the breakdown for the alignment of EBITDA to business contribution profit:

	2012	2011	Growth%
	RMB'000	*RMB'000*	
EBITDA	**328,838**	293,184	12.2%
+ Share option expenses	**11,544**	24,861	(53.6%)
– Net foreign exchange gain	**(72)**	12,082	(100.6%)
+Allowance for doubtful debts	**15,807**	17,417	(9.2%)
Business contribution profit	**356,261**	323,380	10.2%

In 2012, the Group's business contribution profit was RMB356.261 million (2011: RMB323.380 million), representing a year-on-year growth of 10.2%. In 2012, the business contribution profit margin was 12.9% (2011: 14.4%), representing a decrease of 1.5% over the same period of the previous year (the business contribution profit margin was 14.0% (2011: 16.5%) if measured on the basis of service revenue, representing a decrease of 2.5% over the same period of the previous year).

OPERATING RESULTS

The following table sets out the Group's consolidated statement of comprehensive income for 2012 and 2011:

	2012 *RMB'000*	**Percentage of revenue**	**Percentage of service revenue**	2011 *RMB'000*	Percentage of revenue	Percentage of service revenue
Revenue	**2,768,171**			2,243,754		
Service Revenue	**2,551,395**			1,959,885		
Cost of sales	**(1,852,830)**	**(66.9%)**		(1,514,263)	(67.5%)	
Gross profit	**915,341**	**33.1%**	**35.9%**	729,491	32.5%	37.2%
Other income, gains and losses	**55,235**	**2.0%**	**2.2%**	46,036	2.1%	2.3%
Selling and distribution costs	**(160,692)**	**(5.8%)**	**(6.3%)**	(148,706)	(6.6%)	(7.6%)
Administrative expenses	**(454,761)**	**(16.4%)**	**(17.8%)**	(309,278)	(13.8%)	(15.8%)
Research and development cost expensed	**(57,055)**	**(2.1%)**	**(2.2%)**	(45,989)	(2.0%)	(2.3%)
Provision for doubtful debts	**(15,807)**	**(0.6%)**	**(0.6%)**	(17,417)	(0.8%)	(0.9%)
Amortisation of intangible assets and prepaid lease payments	**(42,967)**	**(1.6%)**	**(1.7%)**	(47,514)	(2.1%)	(2.4%)
Gain arising from changes in fair value of contingent consideration on acquisition of business	**5,557**	**0.2%**	**0.2%**	71,718	(3.2%)	(3.7%)
Impairment loss recognised in respect of goodwill	**(28,054)**	**(1.0%)**	**(1.1%)**	(68,982)	(3.1%)	(3.5%)
Finance costs	**(31,111)**	**(1.1%)**	**(1.2%)**	(23,898)	(1.1%)	(1.2%)
Share of results of associates	**2,030**	**0.1%**	**0.1%**	2,618	0.1%	0.1%
Loss on disposal of associates	**0**	**0.0%**	**0.0%**	(105)	0.0%	0.0%
Loss arising from changes in fair value of redeemable convertible preferred shares	**0**	**0.0%**	**0.0%**	(37,287)	(1.7%)	(1.9%)
Profit before taxation	**187,716**	**6.8%**	**7.4%**	150,687	6.7%	7.7%
Taxation	**(37,574)**	**(1.4%)**	**(1.5%)**	(29,611)	(1.3%)	(1.5%)
Profit for the year	**150,142**	**5.4%**	**5.9%**	121,076	5.4%	6.2%

Comparison of the results of 2012 with 2011:

REVENUE

In 2012, revenue of the Group amounted to RMB2,768.171 million (2011: RMB2,243.754million), representing a growth of 23.4% compared to that of the same period for the previous year. Of which, service revenue was RMB2,551.395 million (2011:RMB1,959.885 million), representing a year-on-year growth of 30.2%, which was attributed to the constantly expanding customer base and the continuous and diversified development of the Group's main businesses.

In 2012, the Group's revenue and service revenue by contract model are set out as follows:

	Revenue *RMB'000*	**Weight**	**Service Revenue** *RMB'000*	**Weight**
Fixed price	1,537,583	55.5%	1,320,807	51.8%
Time and material	1,161,415	42.0%	1,161,415	45.5%
Quantity-based	69,173	2.5%	69,173	2.7%
Total	2,768,171	100%	2,551,395	100%

In 2012, Revenue from the Group's three business lines accounted for 52.5%, 44.1% and 3.4% of the Group's total revenue respectively (2011: approximately 54.1%, 42.8%, and 3.1 respectively). The growth in revenue of each business line is set out as follows:

RMB'000	**2012** ***RMB'000***	**Weight**	2011 *RMB'000*	Weight	Growth rate
Professional Services Business (PSG)	**1,452,782**	**52.5%**	1,214,957	54.1%	19.6%
Outsourcing Services Business (OSG)	**1,221,800**	**44.1%**	959,458	42.8%	27.3%
Training Business	**93,589**	**3.4%**	69,339	3.1%	35.0%
Total revenue	**2,768,171**	**100%**	2,243,754	100%	23.4%

Service Revenue from the Group's three business lines in 2012 accounted for 48.4%, 47.9% and 3.7% of the Group's total service revenue respectively (2011: approximately 47.5%, 49.0% and 3.5% respectively). The growth in service revenue for each business line is set out as follows:

	2012 *RMB'000*	**Weight**	2011 *RMB'000*	Weight	Growth rate
Professional Services Business (PSG)	**1,236,006**	**48.4%**	931,088	47.5%	32.7%
Outsourcing Services Business (OSG)	**1,221,800**	**47.9%**	959,458	49.0%	27.3%
Training Business	**93,589**	**3.7%**	69,339	3.5%	35.0%
Total service revenue	**2,551,395**	**100%**	1,959,885	100%	30.2%

COST OF MAIN BUSINESSES

In 2012, cost of the Group's main businesses accounted for 66.9% of the revenue (2011: 67.5%), representing a decrease of 0.6% as compared with the same period of the previous year. Cost of main businesses of the Group amounted to RMB1,852.830 million (2011: RMB1,514.263 million), representing an increase of 22.4% year on year.

GROSS PROFIT

In 2012, the Group's gross profit was approximately RMB915.341 million (2011: RMB729.491 million), representing an increase of 25.5% year on year. In 2012, The Group's gross profit margin was approximately 33.1% (2011: 32.5%), representing an increase of 0.6% as compared with the same period of the previous year. The higher gross profit margin in 2012 compared to one year ago was mainly due to a higher portion of total revenue coming from service revenue, and the gross profit margin of service business is higher.

The gross profit margin for service revenue was 35.9% in 2012 (2011: 37.2%), representing a decrease of 1.3% year on year. In light of lower profit margin for service revenue mainly attributable to the increasing labor cost, the Group will alleviate the pressure from rising labor cost by the following measures:

The Group will continue to set up submission centers in "third-tier cities" to reduce the pressure brought about by increasing labor costs;

The Group will increase the extent of re-use of technology and solutions through continuous R&D input to lower direct cost;

OTHER INCOME, GAINS AND LOSSES

In 2012, other income amounted to RMB55.235 million (2011: RMB46.036 million), representing an increase of 20.0% over the same period of the previous year. The main reason for the increase is due to the increase in government subsidies in 2012 compare to 2011.

OPERATING EXPENSES

In 2012, selling and distribution costs amounted to RMB160.692 million (2011: RMB148.706 million), representing an increase of 8.1% as compared to 2011 and the proportion of selling and distribution costs to revenue was 5.8% as compared to 6.6% in 2011, representing a decrease of 0.8% over the same period of the previous year. In 2012, the proportion of selling and distribution costs to service revenue was 6.3%, a decrease of 1.3% compared with 7.6% in 2011. Typically, selling and distribution costs of the Group accounts for 6% – 8% to service revenue. The decrease was mainly attributable to the Group's marketing efforts during the previous year laid a solid foundation for its business expansion during the year, as well as the Group greatly intensified its efforts to control the selling and distribution costs.

In 2012, administrative expenses amounted to RMB454.761 million (2011: RMB309.278 million), representing a year-on-year growth of 47.0%. In 2012, the proportion of administrative expenses to revenue was 16.4%, an increase of 2.6% compared with 13.8% for 2011. In 2012, the proportion of administrative expenses to service revenue was 17.8%, an increase of 2.0% compared with 15.8% in 2011. The increase of the proportion was mainly due to more investment by the Group in construction of the administration and business operation supporting management platform for its established PSG and OSG during the year, in addition to the increase in rental costs due to the expansion in office space this year. We expect to start to see measurable improvements of operating efficiency from these investment starting in 2013.

In 2012, research and development cost expensed were RMB57.055 million (2011: RMB45.989 million), representing a growth of 24.1% over 2011, and the proportion of research and development costs expensed to revenue was 2.1%, representing a year-on-year increase of 0.1% as compared with 2.0% in 2011.

EBITDA AND BUSINESS CONTRIBUTION PROFIT

In 2012, the Group recorded an EBITDA of approximately RMB328.838 million (2011: RMB293.184 million), representing an increase of 12.2% over the same period of the previous year. In 2012, the ratio of EBITDA to revenue was 11.9% (2011: 13.1%), representing a decrease of 1.2% over the same period of the previous year. The ratio of EBITDA based on service revenue was 12.9% (2011: 15.0%), representing a drop of 2.1% over the same period of the previous year.

In 2012, business contribution profit amounted to RMB356.261 million (2011: RMB323.380 million), representing an increase of 10.2% over the same period of the past year. In 2012, the business contribution profit margin dropped by 1.5% over the same period of 2011 to 12.9% (2011: 14.4%). Business contribution profit margin based on service revenue was 14.0% (2011: 16.5%), representing a decrease of 2.5% over the same period of 2011.

The decrease in EBITDA and business contribution profit margin was mainly due to lowered gross profit margin which was calculated based on the service revenue as a result of rising labor costs, and the substantial growth of management costs in establishment of the administration and business operation supporting platform in relation to the formation of PSG and OSG, as well as the increase in rental costs due to the expansion in office space in 2012 as compared to the previous year.

FINANCE COSTS AND INCOME TAX

In 2012, finance costs accounted for 1.1% of the revenue, which was flat with that in the corresponding period of 2011. Finance costs for the year amounted to RMB31.111 million (2011: RMB23.898 million), representing an increase of 30.2% over 2011, which was mainly due to the increase of cost of funding on convertible loan notes and borrowings denominated in RMB. In 2012, the cost of funding on convertible loan notes of RMB13.767 million was debited to the interests of CB in profit and loss, representing a year-on-year increase of 8.7% as compared with that of RMB12.666 million in 2011. In 2012, as additional borrowings denominated in RMB were secured, the interest expenses on bank borrowings amounted to RMB17.344 million, representing a year-on-year increase of 54.4% as compared with that of RMB11.232 million in 2011.

In 2012, income taxes accounted for 1.4% of the revenue, representing an increase of 0.1% compared with 1.3% in the corresponding period of 2011. Income taxes for the year amounted to RMB37.574 million (2011: RMB29.611 million), representing an increase of 26.9% over 2011, which was mainly due to higher income before taxation in 2012 compared to 2011 and also higher taxation rate for certain companies under the Group as a result of the expiry of preferential tax policy.

OTHER NON-CASH EXPENSES

In 2012, the proportion of depreciation of property, plant and equipment to revenue was 1.7%, which was flat compared with the same period of 2011. Depreciation of property, plant and equipment amounted to RMB46.577 million (2011: RMB39.047 million), representing an increase of 19.3% over 2011 mainly due to the purchase of fixed assets during the year in order to cope with the increase in number of employees, which lead to an increase in depreciation.

In 2012, the proportion of amortisation of intangible assets to revenue was 1.6%, a decrease of 0.5% as compared with 2.1% in the same period of 2011. Amortisation of intangible assets amounted to RMB42.967 million (2011: RMB47.514 million), representing a decrease of 9.6% over 2011, primarily due to the completion of certain intangible assets acquired in prior years.

In 2012, the proportion of share option expenses to revenue was 0.4%, a decrease of 0.7% as compared with 1.1% in the same period of 2011. Share option expenses amounted to RMB11.544 million in 2012 (2011: RMB24.861 million), representing a substantial decrease of 53.6% over 2011, primarily due to much less share options issued in recent three years than those issued before 2010, as a result of which, the share option expenses allocated for 2012 were significantly decreased as compared with those for 2011.

In 2012, the proportion of provision for doubtful debts to revenue was 0.6%, representing a decrease of 0.2% as compared to the corresponding period of last year (2011: 0.8%). In 2012, provision for doubtful debts amounted to RMB15.807 million (2011: RMB17.417 million), representing a decrease of 9.2% over the same period of 2011, which was mainly due to the enhanced control and management of receivables by the Group to minimize the provision for doubtful debts during the year.

In 2012, gain arising from changes in fair value of contingent consideration payable on acquisition of business was RMB5.557 million (2011: RMB 71.718 million), accounting for 0.2% of the revenue.

In 2012, the impairment loss recognised in respect of goodwill was RMB28.054 million (2011: RMB68.982 million), accounting for 1.0% of the revenue.

In 2012, the Group had no loss on disposal of associates (last year RMB105,000).

In 2012, the Group had no profit or loss arising from changes in fair value of redeemable convertible preferred shares (2011: RMB37.287 million), which was mainly attributable to the full conversion of preferred A shares issued into ordinary shares by their holders at the end of 2011.

PROFIT FOR THE YEAR AND EARNINGS PER SHARE

The Group achieved a profit for the year of RMB150.142 million (2011: RMB121.076 million), representing an increase of 24.0% over the same period of last year. In 2012, profit for the year accounted for 5.4% to revenue (2011: 5.4%), which remained as the same level as last year. In 2012, profit for the year accounted for 5.9% to service revenue (2011: 6.2%), representing a decrease of 0.3% over the same period of last year. In 2012, excluding the gain arising from changes in fair value of contingent consideration payable on acquisition of business, and the impairment loss recognised in respect of goodwill, the Group recorded profit for the year of RMB172.639 million (2011: RMB155.732 million excluding the effect of loss arising from changes in fair value of redeemable convertible preferred shares, gain arising from changes in fair value of contingent consideration payable on acquisition of business, impairment loss recognised in respect of goodwill and loss on disposal of associates), representing an increase of 10.9% year on year. In 2012, the proportion of profit for the year after adjustment to revenue was approximately 6.2% (2011: 6.9%), representing a decrease of 0.7% over the same period of last year; the proportion of profit for the year after adjustment to service revenue was approximately 6.8% (2011: 7.9%), representing a decrease of 1.1% over the same period of last year. The decrease was mainly due to lowered gross profit margin which was calculated based on service revenue as a result of rising labor costs, and the substantial growth of management costs in establishment of the administration and business operation supporting platform in relation to the formation of PSG and OSG, as well as the increase in rental costs due to the expansion in office space in 2012 as compared to the previous year.

Based on the abovementioned profit for 2012 of RMB150.142 million, if excluding profit attributable to minority interest, in 2012, profit for the year attributable to the owners of the Group amounted to RMB133.189 million (2011: RMB110.594 million), representing an increase of 20.4% over the same period of last year. Based on the profit for the year attributable to the owners of the Group, the basic earnings per share for 2012 amounted to approximately RMB7.99 cents (2011: RMB8.19 cents), representing a year-on-year decrease of 2.4%. This decrease in basic earnings per share (even though profit for the year for 2012 was higher than that in 2011) was primarily due to the increased number of ordinary shares outstanding in the second half of 2011, the conversion of preferred shares held by preferred shareholders including Microsoft into ordinary shares and the issuance of additional ordinary shares to Hony Capital, as a result of which, the weighted average ordinary shares for the purpose of calculation of basic earnings per share in 2012 were increased by approximately 23.5% as compared with 2011.

DIRECTORS' SERVICE CONTRACTS

Dr. Chen Yuhong has entered into a service agreement with the Company. Particulars of the contract, except as indicated, are in all material respects identical and are set out below:

(i) the service contract is of two years duration commencing on 20 June 2003. The service contract shall continue thereafter until terminated by either party giving to the other not less than three months' prior written notice, such notice not to be given before the expiry of the initial term of two years;

(ii) the monthly salary for Dr. Chen Yuhong is to be reviewed annually by the board of Directors. For the period from the expiry of the first year of appointment, the salary of Dr. Chen Yuhong shall be determined by the board of Directors but shall not be more than 120 percent of his annual salary for the preceding year;

(iii) Dr. Chen Yuhong is entitled to management bonus by reference to the consolidated net profits of the Group after taxation and minority interests but before extraordinary items as shown in the Group's audited consolidated accounts for the relevant financial year (the "Net Profits") as the Board may approve, provided that the aggregate amount of management bonuses payable to all executive Directors in respect of any financial year of the Group shall not exceed 5 percent of the Net Profits; and

(iv) Dr. Chen Yuhong shall abstain from voting and shall not be counted in the quorum in respect of the resolution regarding the amount of management bonus payable to himself/herself.

Dr. Tang Zhenming, Mr. Wang Hui, Mr. Jiang Xiaohai, Mr. Zhao John Huan, Dr. Zhang Yaqin, Mr. Lin Sheng and Ms. Shen Lipu have not entered into service agreements with the Group. Dr. Tang Zhenming, Mr. Wang Hui and Mr. Jiang Xiaohai receive no remuneration for holding their office as executive Directors. Mr. Zhao John Huan, Dr. Zhang Yaqin, Mr. Lin Sheng and Ms. Shen Lipu receive no remuneration for holding their office as non-executive Directors.

Mr. Zeng Zhijie was appointed as an independent non-executive Director pursuant to letters of appointment for a term of 2 years from 20 June 2003, and his appointment have continued since expiry of such term. Mr. Zeng Zhijie receives an annual remuneration of HK$120,000 for his office.

Dr. Leung Wing Yin Patrick, Dr. Song Jun and Mr. Xu Zeshan have not entered into any service agreements as independent non-executive Directors with the Group. The monthly remuneration for Dr. Leung Wing Yin Patrick is HK$10,000 until November 2012 and Dr. Leung Wing Yin Patrick receives no remuneration afterwords. Mr. Xu Zeshan receives no remuneration for holding his office as an independent non-executive Director.

None of the Directors has entered into any service agreements with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Details of the Directors' remuneration are set out in the Annual Report to the financial statements. Save as disclosed in note 9 of the Annual Report to the financial statements, there are no other emoluments, pension and any compensation arrangements for the Directors and past Directors as is specified in Section 161 and 161A of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2012, the following Directors had interests in the shares and underlying shares of the Company and shares in an associated corporation (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) of the Company as set out below and recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by directors of listed issuers.

Long positions in shares of HK$0.05 each in the capital of the Company ("Shares")

Name of Director	Total No. of Ordinary Shares	Approximate percentage of total issued ordinary share capital of the Company as at 31 December 2012
Zhao John Huan	335,076,453	19.50%
Chen Yuhong	170,230,136	9.91%
Tang Zhenming	11,747,765	0.68%
Jiang Xiaohai	6,872,447	0.40%
Wang Hui	6,277,838	0.37%
Zeng Zhijie	300,000	0.02%

Options to subscribe for Shares

Name of Director	Exercise Price *(HK$)*	No. of share options outstanding as at 1 January 2012	No. of share options exercised during the year	No. of share options outstanding as at 31 December 2012	Percentage of total issued ordinary share capital of the Company as at 31 December 2012	No of underlying ordinary shares interested in	Note
Tang Zhenming	0.58	80,000	–	80,000	0.00%	4,180,000	(1)
	0.65	1,300,000	–	1,300,000	0.08%		(2)
	0.97	800,000	–	800,000	0.05%		(3)
	1.78	2,000,000	–	2,000,000	0.12%		(4)
Wang Hui	1.78	1,200,000	–	1,200,000	0.07%	1,200,000	(4)
Zeng Zhijie	1.78	450,000	–	450,000	0.03%	450,000	(4)

Notes:

(1) These share options were offered on 13 August 2003 under the share option scheme of the Company adopted on 2 June 2003 (the "Share Option Scheme") and accepted on 27 August 2003. The share options are exercisable for a period of 10 years from the date of offer subject to the following conditions:

Exercisable Period		
Commencing	**Ending**	**Number of share options exercisable**
13/08/2004	12/08/2013	25% of the total number of share options granted
13/08/2005	12/08/2013	25% of the total number of share options granted
13/08/2006	12/08/2013	25% of the total number of share options granted
13/08/2007	12/08/2013	25% of the total number of share options granted

(2) These share options were offered on 13 May 2004 under the Share Option Scheme and accepted on 10 June 2004. These share options are exercisable for a period of 10 years from the date of offer, subject to the following conditions:

Exercisable Period		
Commencing	**Ending**	**Number of share options exercisable**
13/05/2004	12/05/2014	25% of the total number of share options granted
13/05/2005	12/05/2014	25% of the total number of share options granted
13/05/2006	12/05/2014	25% of the total number of share options granted
13/05/2007	12/05/2014	25% of the total number of share options granted

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

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

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

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

Save as disclosed above and so far as was known to the Directors, as at 31 December 2012 none of the Directors or chief executive of the Company had any interests or short positions in the shares, debentures or underlying shares of the Company or its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the required standard of dealings by directors of listed issuers as referred to the Model Code for Securities Transactions, to be notified to the Company and the Stock Exchange.

As at 31 December 2012, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2012 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by, or leased to the Company or any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

As at 31 December 2012, none of the Directors were materially interested in any subsisting contract or arrangement which was significant in relation to the business of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

During the year ended 31 December 2012, save as disclosed above, none of the Directors was granted any options to subscribe for shares of the Company. As at 31 December 2012, none of the Directors had any rights to acquire shares in the Company save as disclosed above.

REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS

During the year ended 31 December 2012, the Company had adopted a code of conduct for directors' securities transactions on terms no less exacting than the required standard of dealings set out in the Model Code for Securities Transactions. Having made specific enquiry with all the Directors, the Directors had complied with the required standard of dealings and the code of conduct for directors' securities transactions during the year ended 31 December 2012.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business to which the Company, any of its subsidiary, its holding company or any subsidiary of its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors, as at 31 December 2012, the interest of the persons (not being a Director or chief executive of the Company) in the shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in Shares

Name	Nature of interest	Approximate number of Shares *(million)*	Approximate percentage of total issued ordinary share of the Company	Approximate percentage of total issued share* of the Company
Keen Insight Limited ("Keen Insight") *(Note 1)*	Beneficial interest	335.08	19.50%	18.26%
Hony Capital Fund 2008, L.P. *(Note 1)*	Interest of controlled corporation	335.08	19.50%	18.26%
Hony Capital Fund 2008 GP L.P. *(Note 1)*	Interest of controlled corporation	335.08	19.50%	18.26%
Hony Capital Fund 2008 GP Limited *(Note 1)*	Interest of controlled corporation	335.08	19.50%	18.26%
Hony Capital Management Limited ("Hony Capital") *(Note 1)*	Interest of controlled corporation	335.08	19.50%	18.26%
Zhao John Huan *(Note 2)*	Interest of controlled corporation	335.08	19.50%	18.26%
Right Lane Limited *(Note 2)*	Interest of controlled corporation	335.08	19.50%	18.26%
Legend Holdings Limited ("Legend Holdings") *(Note 3)*	Interest of controlled corporation	335.08	19.50%	18.26%
Chinese Academy of Sciences Holdings Co., Ltd. *(Note 4)*	Interest of controlled corporation	335.08	19.50%	18.26%
Chinese Academy of Sciences *(Note 4)*	Interest of controlled corporation	335.08	19.50%	18.26%

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
Beijing Lian Chi Zhi Yuan Management Consulting Center *(Note 5)*	Interest of controlled corporation	335.08	19.50%	18.26%
Beijing Lian Chi Zhi Tung Management Consulting Ltd. *(Note 5)*	Interest of controlled corporation	335.08	19.50%	18.26%
Greater Pacific Capital Partners, LP ("GPC") *(Note 6)*	Beneficial interest	119.27	6.94%	6.50%
EJF Capital LLC ("EJF") *(Note 7)*	Beneficial interest	116.40	6.77%	6.34%
Far East Holdings International Limited ("Far East Holdings") *(Note 8)*	Beneficial interest	113.40	6.60%	6.18%
Microsoft Corporation ("Microsoft") *(Note 9)*	Beneficial interest	97.25	5.66%	5.30%

* The total number of issued share consists of 1,718,364,659 Ordinary Shares and 116,404,949 Convertible Notes, which could be converted into 116,404,949 Ordinary Shares.

Notes:

1. Hony Capital Fund 2008, L.P. holds the entire issued share capital of Keen Insight. Hony Capital Fund 2008 GP, L.P. is the sole general partner of Hony Capital Fund 2008, L.P.. Hony Capital Fund 2008 GP Limited, a wholly-owned subsidiary of Hony Capital, is the sole general partner of Hony Capital Fund 2008 GP, L.P.. Hony Capital is taken to be interested in the Shares in which Keen Insight is interested.

2. Zhao John Huan and Right Lane Limited are interested in 55% and 45% interests in Hony Capital respectively.

3. Legend Holdings Limited owns 100% interest in Right Lane Limited.

4. Chinese Academy of Sciences Holdings Co., Ltd, which is 100% owned by Chinese Academy of Sciences is taken to be interested in the Shares in which Keen Insight is interested. Chinese Academy of Sciences Holdings Co., Ltd owns 36% interest in Legend Holdings.

5. Beijing Lian Zhi Tung Management Consulting Ltd is the sole general partner of Beijing Lian Chi Zhi Yuan Management Consulting Center is taken to be interested in the Shares in which Keen Insight is interested. Beijing Lian Chi Zhi Yuan Management Consulting Center owns 35% interest in Legend Holdings.

6. GPC is interested in 119,268,639 Ordinary Shares.

7. EJF is an investment advisor registered under the Securities and Exchange Commission of the United States of America. EJF is interested in 116,404,949 Ordinary Shares which could be issued upon the full conversion of the Convertible Notes in the principal amount of RMB 200 million took place on 29 November 2010.

8. Far East Holdings is interested in 113,398,822 Ordinary Shares.

9. Microsoft is interested in 97,250,000 Ordinary Shares which was converted on 30 Deccember 2011 from 97,250,000 series A preferred shares of HK$0.05 each in the capital of the Company ("Series A Preferred Shares") allotted and issued on 6 January 2006.

Save as disclosed above, as at 31 December 2012, no other interest or short position in the Shares or underlying shares of the Company were recorded in the register required to be kept under section 336 of the SFO.

COMPETING INTERESTS

As at 31 December 2012, none of the Directors or the management shareholders of the Company and their respective associates (as defined under the Listing Rules) had any interest in a business which competed or might compete with the business of the Group.

THE AUDIT COMMITTEE

The Company established an audit committee on 2 June 2003 and amended its written terms of reference to comply with the requirements 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. During the year ended 31 December 2012, the audit committee comprised of three independent non-executive Directors, Mr. Zeng Zhijie, Dr. Leung Wing Yin Patrick and Mr. Xu Zeshan. Dr. Leung Wing Yin Patrick is the Chairman of the audit committee. The audit committee met on a semi-yearly basis during the year ended 31 December 2012.

The Group's unaudited interim results and audited annual results during the year ended 31 December 2012 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

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

During the year ended 31 December 2012, the Company purchased certain of its shares on the Stock Exchange and these shares were subsequently cancelled by the Company. The Company considered that it is the best way of enhancing shareholder value and that it is in the best interest of the shareholders to return a substantial part of the surplus funds to them. The summary details of those transactions are as follows:

	Number of shares repurchased	Price per share Highest	Lowest	Total price paid
		HK$	*HK$*	*HK$'000*
June 2012	140,000	1.96	1.92	272,300

The purchase of the Company's shares during the year ended 31 December 2012 was effected by the Directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Except as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2012.

CORPORATE GOVERNANCE PRACTICES

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 Code on Corporate Governance Practices of the Listing Rules (the "Code") have served as guideposts for the Company to follow in its implementation of corporate governance measures.

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

The Stock Exchange has made various amendments to the Code on Corporate Governance Practices (the "Former Code") set out in Appendix 14 of the Listing Rules, and the revised code, namely the "Corporate Governance Code and Corporate Governance Report" (the "Revised Code"), became effective on 1 April 2012. In the opinion of the Board, the Group has complied with the Former Code from 1 January 2012 to 31 March 2012 and the Revised Code from 1 April 2012 to 31 December 2012, except that (i) the Chairman of the Board was not able to attend the annual general meeting of the Company held on 18 May 2012 (the "2011 AGM") (deviated from code provision E.1.2) due to other business commitment. However, one of the independent non-executive Directors attended and acted as the Chairman of the 2011 AGM; (ii) the roles of chairman and chief executive officer should be separate and should not be performed by the same individual (deviated from code provision A.2.1).

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

FINAL DIVIDEND AND CLOSURE OR REGISTER OF MEMBERS

The Board do not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: Nil).

In order to ascertain the right to attend the forthcoming annual general meeting, the register of members of the Company will be closed from Wednesday, 15 May 2013 to Monday, 20 May 2013, both days inclusive, during which period no transfer of shares will be effected.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company is proposed to hold on Monday, 20 May 2013. Notice of the Annual General Meeting will be published and despatched to the shareholders in due course.

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

Hong Kong, 28 March 2013

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

Executive Directors:
Dr. CHEN Yuhong *(Chairman and Chief Executive Officer)*, Dr. TANG Zhenming, Mr. WANG Hui, Mr. JIANG Xiaohai

Non-executive Directors:
Mr. ZHAO John Huan, Dr. ZHANG Yaqin, Mr. LIN Sheng, Ms SHEN Lipu

Independent Non-executive Directors:
Mr. ZENG Zhijie, Dr. LEUNG Wing Yin, Dr. SONG Jun, Mr. XU Zeshan

* *For identification purposes only*