ChinaSoft International (0354.HK)

2011 Annual Investor Presentation

March 2012

Disclaimer

These presentations and/or other documents have been written and presented by Chinasoft International ChinaSoft

The information presented or contained in these materials is subject to change without notice and its accuracy is not guaranteed.

Neither the presentation nor any of the information contained therein constitutes an offer to sell or issue or the solicitation of an offer to buy or acquire or invitation to purchases or subscribe for any securities of the Company in any jurisdiction or an inducement to enter into investment activity, nor may it or any part of it form the basis of or be relied upon in connection with any contract, commitment or investment decision whatsoever.

Agenda

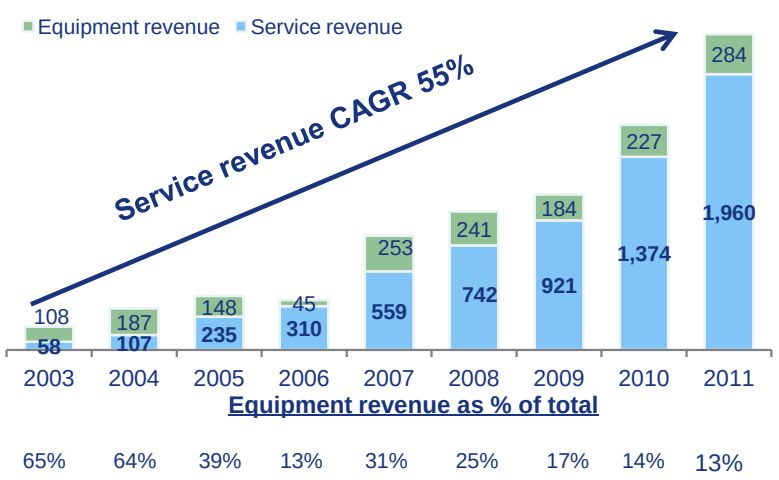
1. **Company Background**
2. 2011 Annual Financial Highlights
3. Business Review and Development
4. Future Outlook
5. Appendix

Snapshot of ChinaSoft International

Service Offering (% of service revenue[1])	IT Consulting and Solutions (47.5%) IT Outsourcing (49.0%) Others (3.5%)
Vertical Coverage (% of service revenue[1])	Government & Manufacturing (24.6%) BFSI(18.0%) Telecommunications (27.0%) Technologies (26.9%) Others (3.5%)
Service Locations (% of service revenue[1])	21 cities in China (71.8%) US, UK, Japan and other (28.2%)

Headcount

Total Revenues



[1] For the 12 months ended 12/31/2011

Business Development History

Core Strength

Putting equal emphasis on organic growth and M&A to be the
in fast-growing China market

middleware platform
based on SOA and cloud computing, with independent IP rights, provides application software for industry solutions for various verticals

Covering IT Consulting, Solutions and Outsourcing services

Integrated & differentiated services

Sales & Delivery Centers located
in cities worldwide
With global delivery capability

Leveraging deep domain expertise
Serving thousands of customers in major verticals

Multi-dimensional relationship with
,
and achieve win-win cooperation
by sharing of customer resources

Agenda

1. Company Background
2. **2011 Annual Financial Highlights**
3. Business Review and Development
4. Future Outlook
5. Appendix

Key Financial and Operating Data

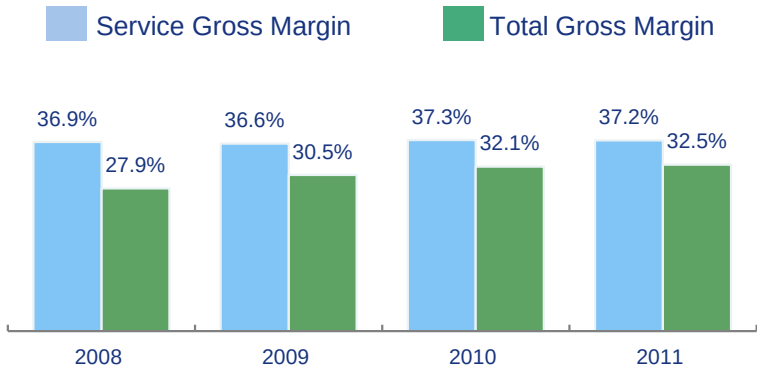
	2011	2010	Growth%
Revenue	**2,243,754**	1,601,211	40.1%
Service Revenue	**1,959,885**	1,374,424	42.6%
Gross Profit	**729,491**	513,204	42.1%
Segment Results	**218,589**	166,539	31.3%
EBITDA	**293,184**	200,836	46.0%
Non-GAAP Operating Profit*	**323,380**	233,687	38.4%
Non-GAAP Net Profit**	**155,732**	115,461	34.9%
Non-GAAP EPS **: RMB 0.1076			

* Non-GAAP Operating Profit represents EBITDA excluding share option expenses, net foreign exchange loss(gain) and allowance for doubtful debts.

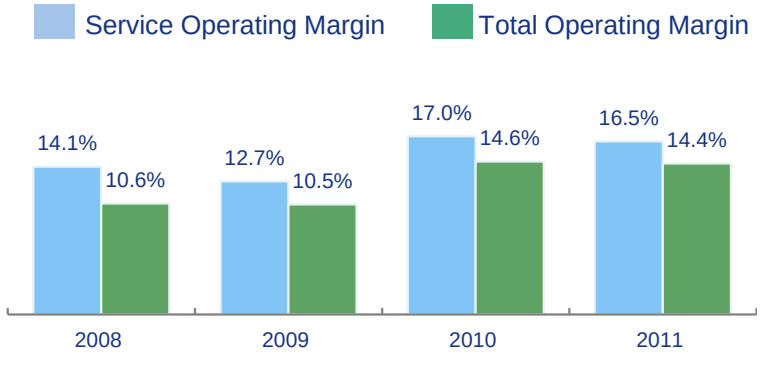
** Excluding P shares valuation , Impairment loss on goodwill ,Gain arising from FV changes of contingent consideration payable on acquisition of business, and Loss on deemed disposal of associates.

Key Financial and Operating Ratio

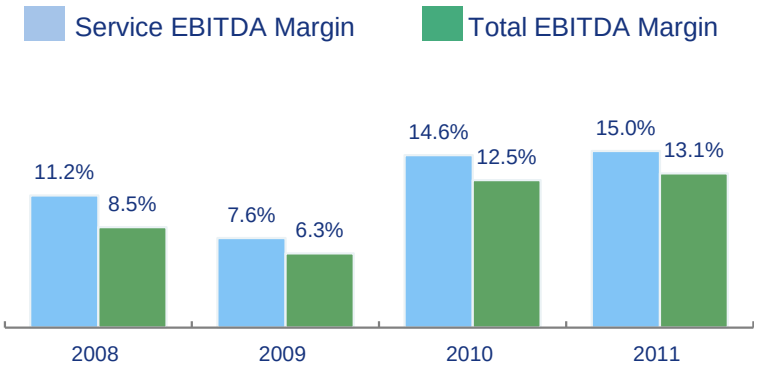
Gross Margin



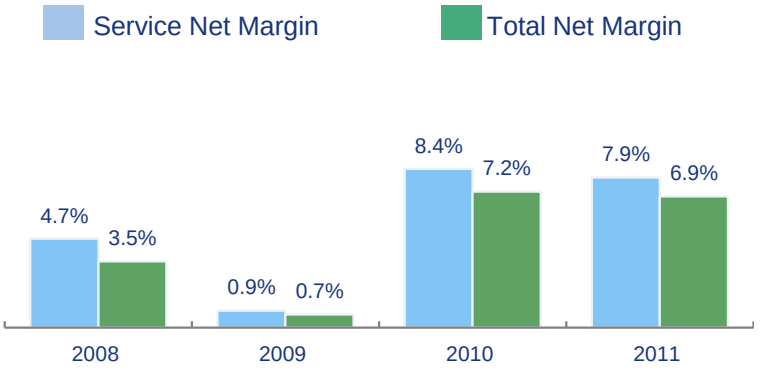
Non-GAAP Operating Margin



EBITDA Margin



Non-GAAP Net Margin



Financial and Operating Ratio Analysis

Segment Revenues and Results

G&M		471,820	54.1%	**579,534**	364,431	59.0%		36,997	47.5%
BFSI		392,059	24.5%	**351,554**	272,661	28.9%		36,168	20.6%
IT Outsourcing		682,917	40.5%	**959,458**	682,917	40.5%		85,596	29.2%
Training		54,415	27.4%	**69,339**	54,415	27.4%		7,778	25.7%
		1,601,211	40.1%	**1,959,885**	1,374,424	42.6%		166,539	31.3%

* Segment results represent the profit earned by each segment without allocation of impairment loss recognized in respect of goodwill, corporate expenses, share-based payment, 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.

Customers Analysis

Top Customers Concentration

Customer Analysis

For the 2011, the service revenue from the **top 5 customers** accounted for **38.4%** of the total service revenue.

For the 2011, the service revenue from the **top 10 customers** accounted for **43.7%** of the total service revenue.

With continuous development of new customers and intensive tapping of existing customers in the vertical industries, it is expected that the top customers concentration will further decline.

There were **855 active customers** for 2011, of which **320 were new customers**.

For 2011, the Group had **58 customers** from which **over RMB 6,000,000** of service revenue had been derived.

Agenda

1. Company Background
2. 2011 Annual Financial Highlights
3. [illegible]

Government & Manufacturing

Audit: continues to be leading vendor. The Golden Auditing Project has been reaching its peak, and our new businesses, such as in auditing and BPO service, had established their preferable market condition; formal launch of products such as Networking Audit System and Audit Management System.

Finance: awarded the tender from the Ministry of Finance for the government procurement management system project, and is undertaking the construction of core financial business , and businesses cover many provinces and cities in the mid and south of China.

Environment: awarded the tender from the Ministry of Environmental Protection for the emission reduction application system supporting platform and system integration project, as well as the underground water environmental base condition inspection information system.

Tobacco: awarded the tender for MES projects in the tobacco industry, and the leading position in the industry has been established.

Coal: awarded the tender for the IT planning project of Taiyuan Branch, China Coal Technology and Engineering Group Corp to develop new industrial customers.

BFSI

Bank: The deficiency-free start-up of the new generation of Shanghai Bank credit card system and the successful start-up of the card system of Ping An Bank received high appreciation from the customers; Certain scope of outsourcing revenues were generated from HSBC, Ping An and China Union pay, indicating the rise of end-to-end service in the financial industry.

Insurance: has successfully signed with CPIC Life on national data centralization project, offering support and services for the national business integration for the customer; officially launched its own IP products, eg. TOP FXGL Risk Management Information Software.

Transportation: awarded the tender for railway traffic ticketing systems in Wuxi, Ningbo, Shanghai and Tianjin, which has successfully extended the project application and explored new cities; Official startups of Chongqing MTR ACC System; the Qingdao Pass Electronic Toll Colletion Project has successfully passed its trial run.

Public Service: has obtained the third party payment licenses from the China Central Bank with PayPass to be directly involved in the payment business, so as to achieve the transformation in the layout of the financial operating services business.

Telecommunications

With Telecom Operators:

Has signed the contract with China Mobile on the convenience card platform construction project in a successful involvement in mobile payment platform market; following the phone wallet project by Shanghai Mobile.

Has signed a strategic cooperation agreement with Shanghai Mobile, to jointly promote innovation and business maturity for technology, products, and model of the mobile e-commerce industry, and strengthen market development.

With Telecom Equipment Providers:

Continues to remain the strategic partnership with Huawei, becoming its largest supplier of Xi'an branch, and has achieved outstanding performance in its supplier appraisal ranking.

Has cooperation with Huawei, by providing Rich Communication Suite services to foreign telecom operators, bringing the expansion of telecom products into the overseas market.

Has become the only supplier of annual outstanding enterprises among all TD software vendors.

High Technology

Customer relationships remain stable, with sustained growth in business volume

Has become the fastest growing Chinese supplier of Microsoft, the largest supplier of MSIT in China as well as the first Chinese Top 10 MSIT supplier out of 3000 suppliers of Microsoft; signed a development and test agreement with Microsoft GFS.

Has successful signed with GE strategic customers a three-year Oracle ERP operation and maintenance services contract in China and the United Kingdom.

Continues to build high-end service capabilities, and develop new business direction and customer

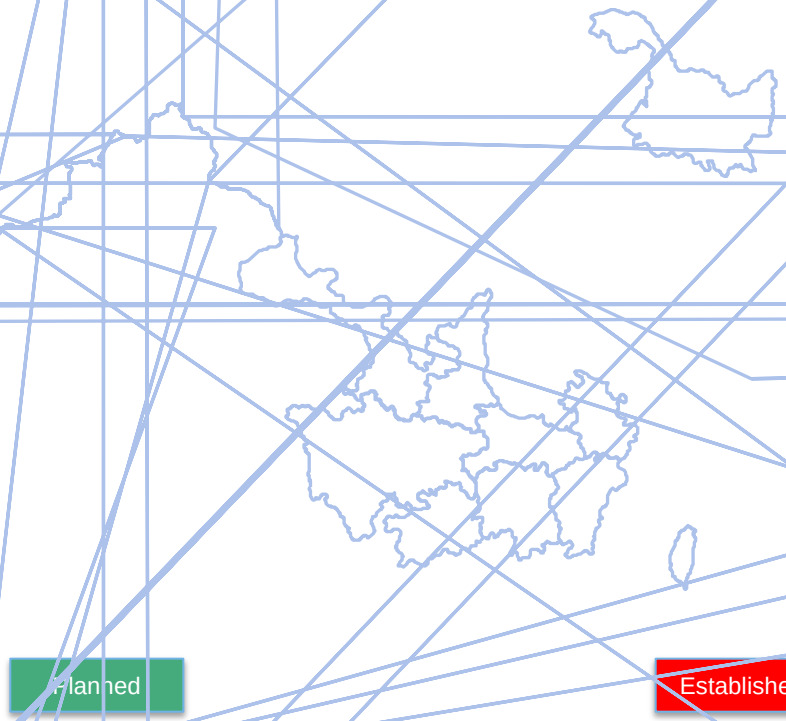
Has successfully developed Managed Service business, by completing the first infrastructure management services project (construction of a data center for a world-renowned financial institution), and successfully come to the negotiation of the second phase project;

Has successfully developed outsourcing business for a well-known ERP software vendor in China by expanding the business development in the enterprise application services (EAS).

Has successfully signed a contract with a Global 500 company on financial process outsourcing business, making a breakthrough in the high-end BPO in the financial field.

Strong and differentiated human supply platform

Nationwide Training Centers



Superior Talent Management

The Group collaborates with universities and educational institutions. The training business achieved profitability growth as well as ensuring talents supply to the company, training more than **35,000** students annually.

During the period, 41 new schools were signed for deep cooperation (total: 59), 27 of which were jointly built schools/departments (total: 36).

Has participated in the "Excellence Engineers the Ministry of Education, and Practical Education Center";

and is promoting them to the universities with deep cooperation.

Win-win Strategic Cooperation

Hony Capital is major shareholder of CSI

CSI will be the major IT service provider for the Hony

CSI will become the integration platform for Hony

1st

One of top three suppliers in IT outsourcing; With services offering covering ten product lines in ten R&D base of Huawei; 1st place in Huawei business CMMI appraisal

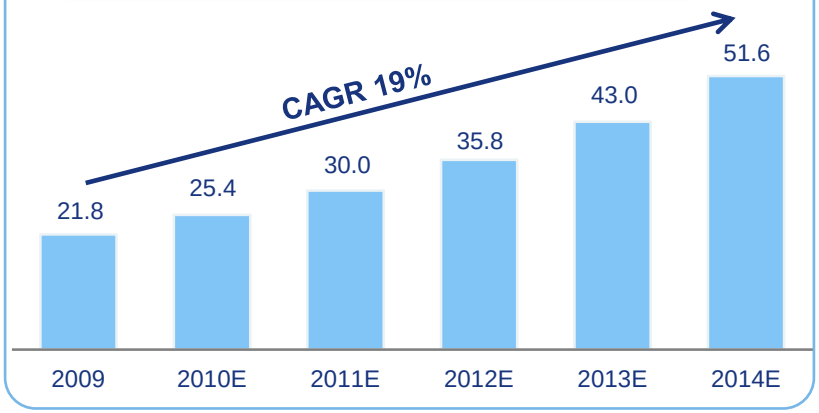
End-to-end service offering to form a multi-dimensional relationship; Helping Huawei winning business with our solutions and selling our solutions to clients

Agenda

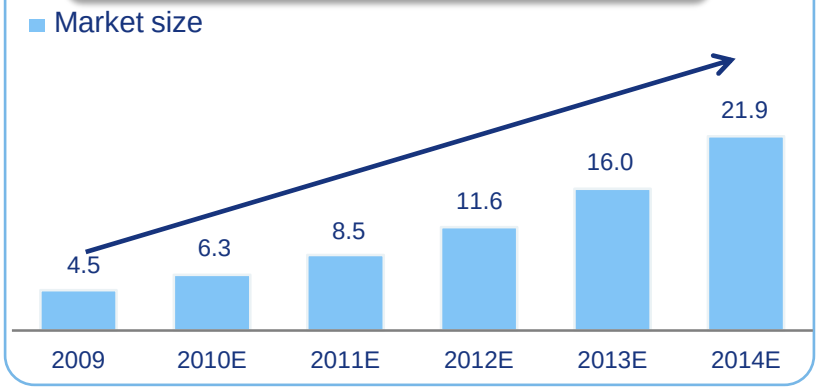
1. Company Background
2. 2011 Annual Financial Highlights
3. Business Review and Development
4. **Future Outlook**
5. Appendix

Leading IT Services Company in the Fast-growing Chinese Market

China Domestic IT Services Market



Global IT Outsourcing to China[1]



Leadership in China IT Services

Ranked **Top 3** by IDC in Consulting & Solutions for Government industry vertical in 2007-2010

Ranked **Top 2** by IDC in IT Outsourcing for Americas and Europe in 2007-2010

New Opportunities in 12th Five Year Planning Period

In 12th five year planning period, China will **focus on fostering knowledge-intensive service industries** with a core of new generation information industry [1] . Market scale of China's software and IT services will grow from 1.12 trillion in 2010 to **more than 3 trillion in 2015 [2].**

The scales of following strategic emerging industries are expected to reach [2]:

- Government: **USD 1.6 billion** in 2012
- Banking and insurance: **USD 2.2 billion** in 2012
- Telecommunications: **USD 3.0 billion** in 2012
- Manufacturing: **USD 3.5 billion** in 2012
- Mobile Internet: **USD 35.0 billion** in 2012
- Internet of Things: **USD 700 billion** in 2015

2012- -owned enterprises(SOE) in the IT services will be **more than USD 1200 billion**.(30 billion per each SOE in average)

Vision and Development Objective of ChinaSoft International

[redacted]

as a global IT service company
rooted in China with end to end service capability
in booming China market
with abundant human resources as competitive advantage.

[redacted]

Creating, Sharing and
Growing Together

Strategic Objectives

Long-term	By year 2020 Global revenue reaching USD	Software and IT services company with service and headcount
Mid-term	By year 2015 Global revenue reaching USD	Software and IT services company with service and headcount
Short-term	By year 2012 Global revenue reaching USD	Software and IT services company with service and

Driving Revenue Growth

Focus on

Driving Margin Expansion

Gross Profit	**Focus more on consulting and solution** Increasing of reusability of solutions for both Lines of Business, we can increase the Gross Margin of the whole Group . **Focus on high margin customers** By increasing the weighting of Mobile Internet related business which enjoy a much higher Profit Margin in the next forthcoming years we will have a much bigger room for further improvement in GM. **Reduce direct cost by moving delivery centers to tier-three cities** By switching our offshore delivery centers(ODCs) for total solution from Tier one city to Tier Three Cities, commencing from the Line of Business of Government and Manufacturing, we can increase our GM in the forthcoming years as we enjoy the "economies of scale" for ODC delivery centre in Tier Three cities.
Operating margin	Streamline operation and management (ERP on HR, Finance, etc.) to reduce G&A expense Consolidate regional delivery capabilities to reduce management overhead Increase cross-selling to reduce sales and marketing cost

www.chinasofti.com

THANK YOU

Reconciliations of - -

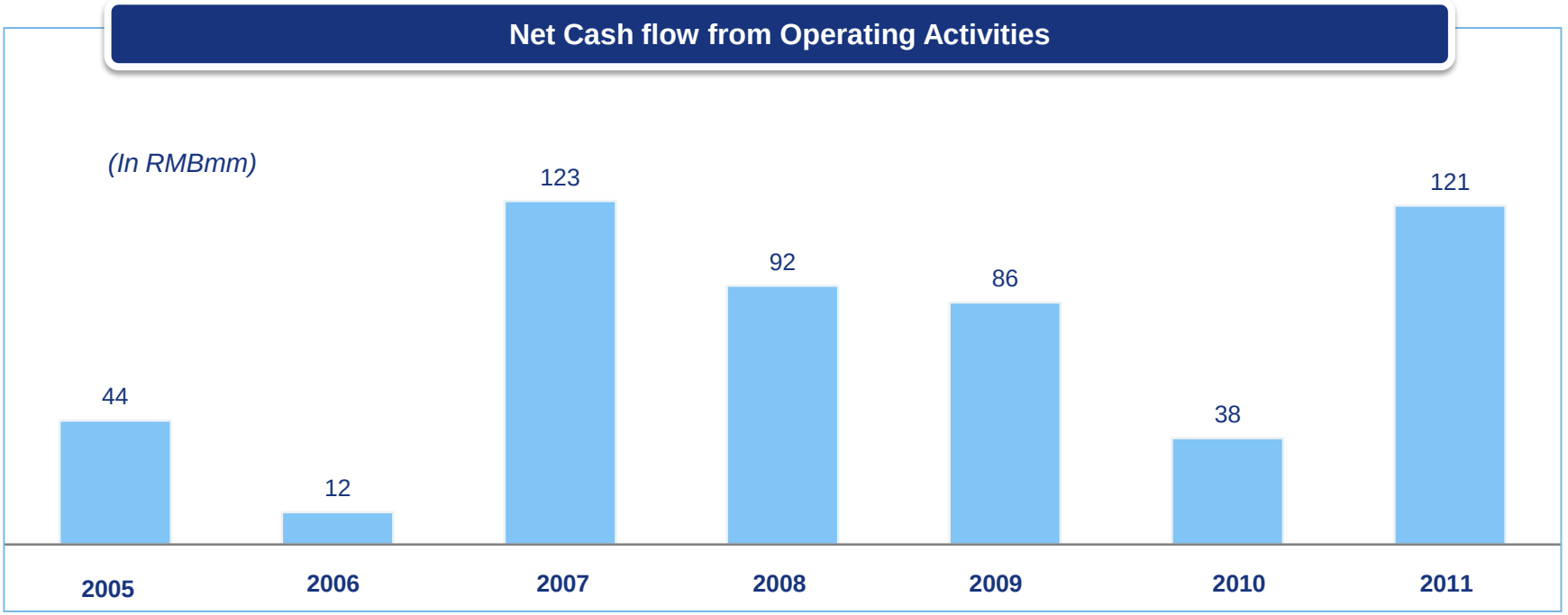
□								
+Loss in FV changes of p shares	37,287	1.7%	1.9%	145,197	9.1%	10.6%	-8.7%	-74.3%
+Impairment loss	68,982	3.1%	3.5%	-	-	-	NA	NA
+loss on deemed disposal of associates	105	0.0%	0.0%	-	-	-	NA	NA
-Gain from FV changes of contingent consideration payable	-71,718	-3.2%	-3.7%	-	-	-	NA	NA
+Taxation	29,611	1.3%	1.5%	14,657	0.9%	1.1%	0.4%	102.0%
+Finance cost	23,898	1.1%	1.2%	8,102	0.5%	0.6%	0.6%	195.0%
+Depreciation	39,047	1.7%	2.0%	35,377	2.2%	2.6%	-0.6%	10.4%
+Amortization of intangible assets	47,514	2.1%	2.4%	29,889	1.9%	2.2%	0.2%	59.0%
-Share of result of associates	-2,618	-0.1%	-0.1%	-2,650	-0.2%	-0.2%	0.1%	-1.2%
+Share option expense	24,861	1.1%	1.3%	27,669	1.7%	2.0%	-0.7%	-10.1%
+Net foreign exchange loss (gain)	-12,082	-0.5%	-0.6%	-3,094	-0.2%	-0.2%	-0.4%	290.5%
+Allowance of doubtful debts	17,417	0.8%	0.9%	8,276	0.5%	0.6%	0.3%	110.5%

*Non-GAAP Net Profit represents net profit excluding the changes in fair value of redeemable convertible preferred shares, Impairment loss on goodwill ,Gain arising from changes in fair value of contingent consideration payable on acquisition of business and Loss on deemed disposal of associates.

Service Revenue by Contract Model

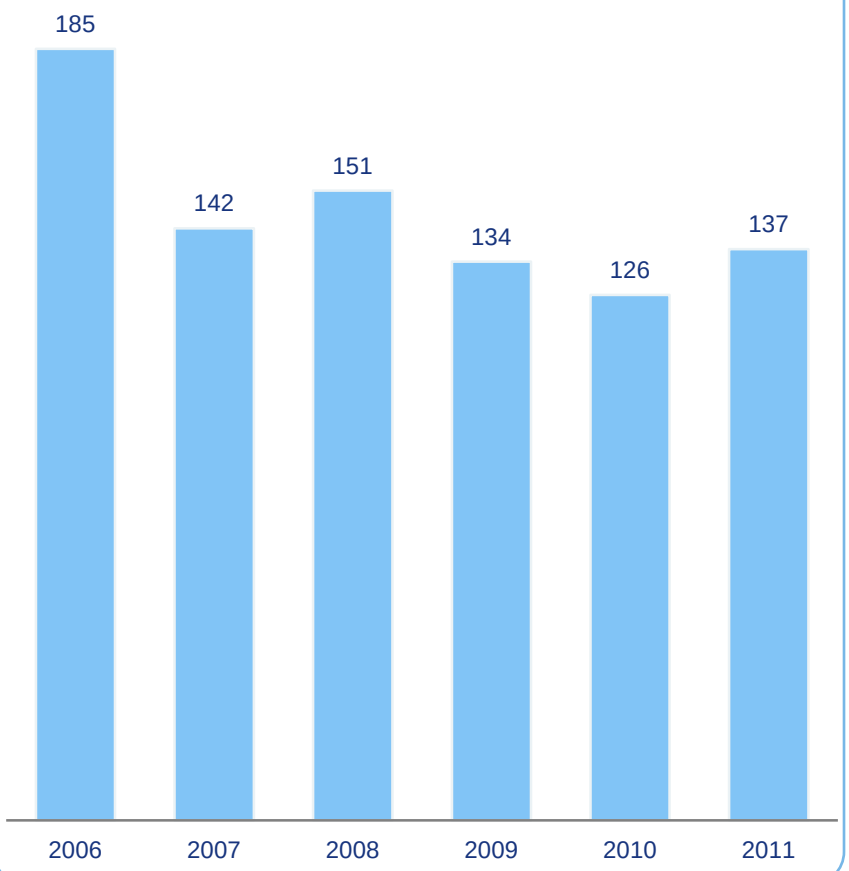
Fixed Price	1,000,427	51.0%	691,507	50.3%	44.7%
T&M	887,783	45.3%	620,560	45.2%	43.1%
Volume Base	71,675	3.7%	62,357	4.5%	14.9%

Operating Cash flow

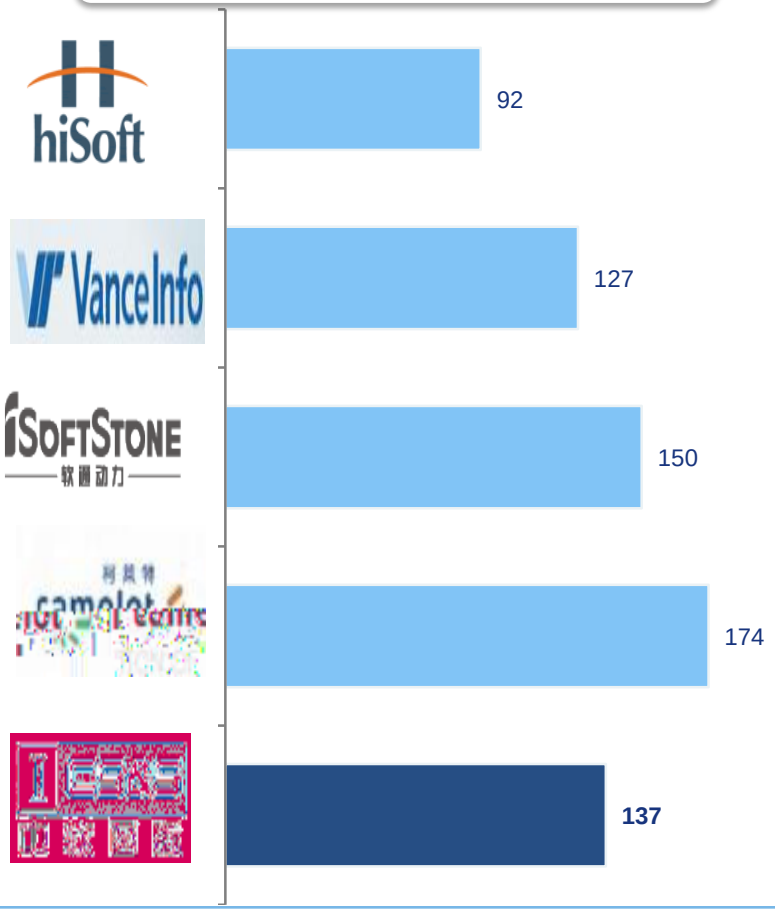


Days Receivable Comparison with Peers

Days Outstanding of AR



Days of AR Comparison for 2011



Aging Analysis of Accounts Receivables

□						
Within 90 days	483,793	48.2%	370,973	52.5%	112,820	30%
Between 91-180 days	80,316	8.0%	40,565	5.7%	39,751	98%
Between 181-365 days	39,804	4.0%	16,347	2.3%	23,457	143%
Between 1-2 years	30,293	3.0%	26,073	3.7%	4,220	16%
Over 2 years	5,728	0.6%	1,053	0.1%	4,675	444%