ANNUAL REPORT 2017

中軟國際

Chinasoft International Limited

中軟國際有限公司 *

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

* for identification purpose only

Contents

Corporate Information

THE BOARD OF DIRECTORS

Executive Directors

Dr. Chen Yuhong *(Chairman & Chief Executive Officer)*
Dr. Tang Zhenming

Non-executive Directors

Dr. Zhang Yaqin
Mr. Gao Liangyu
Mr. Samuel Thomas Goodner

Independent non-executive Directors

Mr. Zeng Zhijie
Dr. Leung Wing Yin Patrick
Dr. Lai Guanrong

REMUNERATION COMMITTEE

Dr. Leung Wing Yin Patrick *(Chairman)*
Dr. Chen Yuhong
Mr. Zeng Zhijie
Dr. Lai Guanrong

AUDIT COMMITTEE

Dr. Leung Wing Yin Patrick *(Chairman)*
Mr. Zeng Zhijie
Dr. Lai Guanrong

NOMINATION COMMITTEE

Dr. Leung Wing Yin Patrick *(Chairman)*
Dr. Chen Yuhong
Mr. Zeng Zhijie
Dr. Lai Guanrong

COMPANY SECRETARY

Ms. Leong Leung Chai Florence

AUTHORISED REPRESENTATIVES

Dr. Chen Yuhong
Ms. Leong Leung Chai Florence

AUDITOR

Deloitte Touche Tohmatsu

WEBSITE

www.chinasofti.com

STOCK CODE

SEHK Code: 0354

REGISTERED OFFICE

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Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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4th Floor, Royal Bank House
24 Shedden Road, George Town
Garnd Cayman, KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
HSBC Bank (China) Company Limited
Citibank (China) Co., Limited
Industrial and Commercial Bank of China Limited
China Construction Bank Corporation
China Merchants Bank Co., Ltd.

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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No. 2 Kexuiyuan Nanlu, Haidian District
Beijing, 100190, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COSCO Tower
No. 183 Queen's Road Central
Hong Kong

Dear investors,

In 2017, the Company has achieved growth for 14 consecutive years since its listing and became the largest software service provider in China.

During the annual conference for our core talents that just ended a short while ago, we came up with the slogan and the action of "thought alignment, language unity, and action consistency", and set the goal to "create and share, to become the leading global ITS provider." We set a "small goal" to reach RMB100 billion in revenue by 2026. We first mentioned the idea of "thought alignment, language unity, and action consistency" in 2014, which were directed at the "five cards" of the Company's development. Today, the Company has reached the revenue scale of RMB10 billion and is moving towards our mid to long term goals. The requirement has become more urgent and necessary, and we need a methodological approach that is easy to understand, easy to adhere to, regularly deliberate, and publish conclusions to track our blueprint progresses. My colleagues and management team are constantly learning and doing, and we will continue to finish the blueprint and the work that we have started.

During the reporting period, we have made three major progresses:

1. TOOK A PROACTIVE PERSPECTIVE AND PENETRATED THE LOCAL GOVERNMENT AND ENTERPRISE MARKET

In 2017, one of the biggest gains of the Company was a breakthrough in the penetration of regional government and enterprise market across China, which laid the foundation for the Company's absolute success in China's market. Traditionally, Chinasoft International serves large customers and have a high concentration of large customers. To achieve absolute success in China's market, we must penetrate the regional markets and establish our presence there. "The camel turned into the lion and launched an active attack". Since April, the Company has begun to build sales representative offices throughout the country and set up government and enterprise departments in 19 regions in China. Since signing the first partnership agreement with Huawei Cloud in July, we fully and closely cooperated with Huawei representatives in different regions, worked with the excellent sales forces to learn the excellent sales system of Huawei, developed methods with the Company's characteristics and built benchmarks in different regions and fields. In 2018, we will take advantage of the nationwide distribution to promote regional government and enterprise market operations.

2. TOOK ADVANTAGE OF "SAILING ON THE SAME BOAT STRATEGIC COOPERATION" HEADWIND TO BUILD JOINTFORCE REGIONAL OPERATION BASE

During the reporting period, Jointforce, working with Huawei, has developed and launched a cloud software parks service system platform, and settled in 15 cities such as Qingdao, Nanjing, Xi'an, Wuhan, Hefei and Chongqing to help local governments support local IT enterprises, gather software service ecosystem, enhance the efficiency of local software industry, and support transformation and upgrading and innovation development of traditional enterprises. The cloud software parks has become the vehicle of Jointforce in the offline and online integration services of various famous and featured software cities. The supporting local operation team of Jointforce has built the regional operation base covering the key software cities.

To serve the transformation of traditional enterprises, software enterprises should start from their own transformation. Based on the Huawei software development cloud, the Company developed different levels of cloud services to enable software enterprises in the software parks to transform from ISV (independent software provider) to CSV (cloud software provider). The software service companies in the region have also developed greater stickiness with Jointforce.

To serve the transformation of traditional enterprises, it's necessary to seize the historical opportunity of "China's Manufacturing 2025", helping to boost the further integration and transformation and upgrading of the manufacturing industry. During the reporting period, the Company has been working with Huawei to jointly launch the intelligent cloud solution, which has been settled in Kunshan, Xuzhou, Chongqing and etc. Based on the Jointforce regional operation base, the industry cloud solution can solve the problem of IT consumption imbalance and not in-depth integration, so that enterprises of different sizes enjoy the IT services of the same quality. In the target area, we worked with the government to build the intellectual research institute or enabling center, starting from providing industrial diagnostic services, observing the enterprise closely and truly touching the needs of the enterprise. Through observing different region's manufacturing industry, we are able to provide different levels of IT services base on the different needs in different regions. As to the leading enterprises with revenue over RMB10 billion, we use the Company's powerful application and development management ability to help customers undergo digital transformation and help their industrial Internet planning and development. As to the enterprises of with revenue in the hundreds of millions of RMB, we use local cloud software parks platform and partner ecosystem to provide inclusive IT services. As to the enterprises with revenue RMB10 million or less, we provide digital gardening service via Jointforce for them.

Chinasoft International will make use of Jointforce platform services and partner ecosystem to become the core integrator of China's manufacturing 2025 through the whole process of service manufacturing enterprises from informatization to in-depth informatization, to industrial integration, and then to intelligent manufacturing and industrial Internet.

3. BUILT THE GOVERNMENT SOFTWARE PROCUREMENT INTERNET+ TRADING PLATFORM BASED ON JOINTFORCE

During the reporting period, Jointforce has gathered more than 300,000 engineers, nearly 10 thousand service providers, and more than 30,000 contracting companies, with the contract value amount of more than RMB1.3 billion. Our understanding of Jointforce as a platform and its business design (model) are always changing, and we will continue to improve and better Jointforce. Jointforce was originally designed for "liberating" developers. Later, the membership model launched, and it was designed to liberate the suppliers. Now it seems that we need to liberate the contracting companies so that they can enjoy faster, better and cheaper IT services and the best cost to quality performance. Upon understanding this, we have made new attempts in the business model and made breakthroughs. Jointforce signed a strategic cooperation agreement with Nanjing Municipal Government to spend five years in building an internet-based government software procurement platform, gather 1 million engineers, produce RMB100 billion online turnover, namely 1+100+1000, fully connect and move software and services transactions to the Jointforce.

Dear investors, last year we held the "First Global Programmer's Festival" in Xi 'an. The theme is "Coding the Future". This year is the second year. We have set the theme to "Coding the Society". The future society is a society of program. No matter how big and strong the Chinese digital economy is, it is a software, programming, and algorithm driven economy. It is the economy built by 6 million Chinese programmers and 30,000 major software enterprises. Believing in the strength of the program and uniting the power of programmers, Jointforce is to become the backbone platform force of China's digital economic development. Our road ahead has become wider and more open.

In 2017, the Company's cloud computing, Jointforce and other new businesses have increased rapidly, earning more than RMB1 billion. These new businesses have been relatively solid. In 2018, we will separately show the new businesses' revenue, showing our confidence in the new businesses.

The Ministry of Industry and Information Technology has proposed to incubate software enterprises help them grow to revenue scale of RMB100 billion. As the first software service company reaching RMB10 billion in revenue, we do not decline to shoulder this responsibility! This goal is also consistent with our long-term plan of "achieving RMB100 billion in 8 years". The enterprises of RMB100 billion scale will be ranked the top ten in the world. There will certainly be a place for us!

Under the guidance of RMB100 billion Vision, achieving the annual revenue of RMB30 billion in 2021 is our current critical mission. The battle will be carried out in the following six aspects: upgrade the business of large customers, become a comprehensive strategic partner of ADM (Application Development Management) and TT (migration and transformation); strengthen the precipitation and output of professional service capacity of the major customers, leverage the government to promote the development of digital economy historical opportunity, and accomplish the absolute success of Jointforce; build the company's basic cloud service and industry cloud service platform to achieve the absolute success of cooperation with Huawei; win the trust of the state and related departments to become the national partner; build a process IT system that supports business development of RMB100 billion scale; and build a culture, core talents and human resource system supporting these "three armies".

Dear investors, thank you very much for your support to the Company's growth. We are not just dreamers, but action taking go-getters with the spirit of working steadily. "Experienced, professional, expert in transformation, and using platform and ecology", "develop applications in the best way, find and go to Jointforce!" is the brand commitment of Chinasoft International to customers, which is guiding our business practice every day.

We are at new starting point since crossing over the RMB10 billion in revenue, and we are reminded of our original core values of "Keeping True Heart of Kindness, Determination and Perseverance, Striving for Success, Sharing and Growing with the Customers" is the fundamental key for us to keep advancing and win! We must firmly and persistently carry forward our values and strive for our continuous progress, and to score a greater victory.

Chaiman
Chen Yuhong
Spring 2018