Results for the first half of 2013

Income statement highlights	For the six months ended 30 June		% Increase (over the same period last year)
	(unaudited) 2013 RMB'000	(unaudited) 2012 RMB'000	
Revenue	1,371,671	1,173,504	16.9%
Revenue from service	1,346,810	1,110,874	21.2%
Gross profit	407,240	360,700	12.9%
Profit for the period	80,698	65,437	23.3%
Profit attributable to Owners of the Group	72,309	59,274	21.1%
EBITDA	156,618	141,776	10.5%
Basic EPS (RMB cents)	4.20	3.65	15.1%
Statement of financial position highlights	(unaudited) 30 June 2013 RMB'000	(audited) 31 December 2012 RMB'000	% Increase
Total assets	3,715,666	3,442,350	7.9%
Total liabilities	(1,478,764)	(1,380,067)	7.2%
Total equity	2,236,902	2,062,283	8.5%

- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013.

- No closure for the Register of Members of the Company.

CORPORATE INTRODUCTION

Business Overview

The Group is positioned to provide integrated software and information services, i.e., end-to-end IT services, including consulting services, technical services, outsourcing services and training services. Our technical services are mainly involved in IT solutions, and outsourcing services include ITO, BPO, EPO, and more. The Group has always adhered to the policy of technology innovation with its independent intellectual property rights as the core, and with more than 200 software copyrights and patents, such as ResourceOne (R1), the SOA middleware platform software that provides application support for industry vertical solutions, and TopLink, the software platform product that supports large scale-data exchange. The Group's customers, which are located in various countries including as China, the United States, Japan, Hong Kong, etc., are mainly distributed in the industries that possess high growth potentials such as government and manufacturing, finance, telecommunications, high technology and so on. Based on the fast growing Greater China market and the abundant human resources as its competitive advantages, the Group customises its products to the specifications of each individual client, and provide professional and differentiated IT services to help its customers achieve greater management and business efficiency.

Business Approach

The industries that the Group's business covers include government and enterprises, BFSI (banking, financial services securities, and insurance), manufacturing and circulation, telecommunications, public transportation services, high technology and energy.

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

- (PSG) Professional Services Business

    - Software Platform Products

    - Strategy and Business Consulting, IT Consulting

    - Vertical and Cross-industry Application Software and Solution Development

    - System Integration and Services

- (OSG) Outsourcing Services Business

    - Product Engineering

    - Application Development and Maintenance

    - Enterprise Application Service

    - Business, Engineering and Knowledge Process Outsourcing

- Training Business

Professional Services Business

Professional services business (consulting and solutions), is the backbone of the Group's business lines and has gradually become our main technical base and development kernel after more than 10 years of development and accumulation, driving the Company into a positive cycle of continuous improvement. The presence of our professional Services Group is also the key differentiator that separates Chinasoft International from its peers. The business covers four main segments: software platform products, strategy and business consulting and IT consulting, vertical and cross-industry application software and solution development and system integration and services.

Our Services

The Group has over the years consistently adopted the consulting-driven business model, and based on its independently developed software platform products, has provided end-to-end professional services that combine consulting methodology with the information technology practices of China's enterprises, adhering to the philosophy to focus on the industry, prioritize services and strive for customers' success. In addition, the Group has trained a large number of experts in the industry, and established harmonious reciprocal and win-win business environment with its customers, with a high level of market appeal and customer loyalty, which has effectively established the leading position of the Group in the solutions field in China.

1. **Software Platform Products**

    The Group currently has two series of proprietary software platform products, i.e. ResourceOne and TopLink/TSA+, and integrates the concept that "Products are services and services are products" into the whole structure of these products, and which also allow the Group to find a balance between stability and changing market demand. The Group has kept investing and improving its software platform products over a decade to enhance the technical applicability and performance of the products, thereby continuously enhancing the levels and standards of customer services.

2. **Strategy and Business Consulting, IT Consulting**

    Consulting services sits at the upper end of the business value chain of the Group. By providing strategy and business consulting services the Group can more clearly understand the intrinsic nature of customers' business and understand their real needs, so as to more effectively improve the professional level of services and to achieve the business objective of growing with customers. The strategy consulting that the Group provides has specific services including industrial transformation consulting, regional economic consulting, merger and reorganizing consulting, strategy and transformation consulting, group management and control consulting, and organisational design consulting. The business consulting that the Group provides has the specific services including marketing management consulting, e-commerce transition consulting, supply chain management consulting, lean production consulting, logistics management consulting, financial management consulting, risk management consulting, business process consulting, and data analysis consulting.

The Group's IT consulting business focuses on helping clients in obtaining greater value through the interaction between drives of business and IT requirements. The Group's consulting products and services are based on rigorous and proven scientific methods and frameworks. In the areas of business processes, technology and outsourcing, the Group analyzes and evaluates the existing environment to determine the optimizing opportunity, and provides customers with the strategic development path that can significantly save costs and increase productivity. The specific services the Group provides include information technology planning consulting, IT operation and maintenance consulting, information security consulting, and supervision and management of information technology construction.

3. **Vertical and Cross-industry Application Software and Solution Development**

    The Group provides customers in a variety of industries with End-To-End process services that include vertical and cross industry application software and solutions. The Group uses ResourceOne application supporting platform to penetrate through the entire project cycle of "Planning – General Design – Development – Overall Integration – Operation and Maintenance," in which the integration methodology of the Group has been incorporated, including:

    •   In the planning and design phase, the Group dispatches appropriate industry consultants and qualified designers, armed with in-depth knowledge of the best practices of information technology, to understand the customer's business needs and form a business components map that can be assembled using the R1 platform and an integrated business framework.

    •   In the scalable development and testing phase, the Group's on-site team members will work closely with the customer, keeping abreast of the customer's changing needs. At the same time the Group will assign a large amount of development and testing work to the Center of Excellence (COE) to be conducted using different professional expertise which includes Java,.net applications, cloud computing, and mobile solutions. By using the development tool of the R1 platform, our COE ensures a unified technological architecture and quality, thus effectively increasing repeat usage as well as reducing development time and costs. As ResourceOne platform has been promoted and become the integration platform for many industries such as government and manufacturing, many other solutions providers in the industry also follow such integration standards in their development.

    •   In the application integration phase, the Group's implementation engineers will use the integration methodology of ResourceOne as well as other robust, scalable and extensible platform tools to conduct integration tests and assembling on the components of complex business applications according to their levels and categories.

- In the operation and maintenance phase, the Group's platforms, application software and solutions have been adopted in a number of strategic industries nationwide; the Group has simultaneously completed the layout with specialized operation and maintenance teams in all key areas of China. With the widely adoption of the Group's solutions, its operation and maintenance services are becoming more regular by the year, and the revenues continue to increase.

With years experience and the successful practice of a large number of projects, the Group has gained industry service capability, customer service capability, regional service capability and large project service capability. Relying upon its R1 platform software, the Group focuses on process control in development and business management, while adhering to standard requirements of quality control systems ISO9001, ISO20000, ISO27001 and CMMI, fully ensuring the service quality and delivery time.

The main solutions and products that the Group provides include:

Category	Solutions and Products	
Government Industry Solutions A▓ 8▓	Auditing and Supervision Management	
	Social Insurance and Welfare Management	
	State-owned Assets Management	
	Food and Drug Administration Management	
	Meteorology and Scourge Warning	
	Execution Permission Management	
	Government Decision Support System	A▓▓
	Online Applications and Approvals	cja▓▓
	Office Automation	I▓
	Citizen Portal	
Manufacturing and Distribution Industry Solutions ▓▓ ▓	Enterprise Resource Planning (ERP)	
	Customer Relationship Management (CRM)	
	Manufacturing Execution System (MES)	
	Logistics Execution System (LES)	
	Safety Production Management	
	Warehouse Management System (WMS)	
	Enterprise Application Integration (EAI)	
	Goods Tracking and Tracing	

Category	Solutions and Products	
Financial Industry Solutions ▨8▨	Payment and Clearing System	
	Collection System for Credit Consumption Invoice	
	Credit Management System	
	Bank Card System	
	Credit Card Management System	
	Risk Control System	
	E-Marketing	
	Supply Chain Finance	
	Insurance Business System	▨8▨
	Insurance E-Commerce System	
	Insurance Exhibition Industry Support System	▨8▨▨
	Reinsurance Business System	▨8▨
	Image Management System	
	Insurance Sales Management System	
	Insurance Task Quality Analysis & Monitoring System	
	Insurance Audit System	▨
Transportation Industry Solutions t▨▨	Smart Card	
	Automatic Fare Collection (AFC) System	
	AFC Clearing Center (ACC)	
	Intelligent Transportation	
	Airport Operating Management System	
Telecom Industry Solutions e▨▨	Mobile Payment	E▨
	Mobile IM	E▨
	Mobile SNS	
	Enterprise Mini Blog	
	Mobile Application Store	E▨▨
	Push to Talk	
	Embedded Browser	
	Mobile Advertisement Platform	E▨▨
Cross-industry Solutions ▨	Customer Relationship Management (CRM)	
	Office Automation (OA)	I▨
	Business Intelligence (BI)	
	Portal Website Sets	
	Radio Frequency Identification (RFID)	▨
	Geographic Information System (GIS)	
	Electronic Ticket System	

Category	Solutions and Products	
Electric Power Solutions eb◼	Power Materials Management Solutions	
	Power Marketing Management Solutions	
Middleware/ Platform Software	ResourceOne Series Products	3◼
	TopLink/TSA+ Platform	TopLink/TSA+

4. **System Integration and Services**

The Group has extensive experience in services with "A" qualification for system integration, and the major services provided include system integration, system maintenance and system operation, which together with other services cover the entire life cycle of information systems, ensuring smooth construction and operation of medium to large information systems.

Business Description and Progress

1. **Government and Enterprises**

Over the years, as a pioneer for e-government, the Group has leveraged its extensive industry experience and its understanding of the intrinsic nature of customers' needs and based on ResourceOne, has undertaken a number of key national technological projects. Overall the Group applied for and obtained more than 10 software copyrights and patent technologies on the basis of its strong research and development capabilities. As a chief integrator, the Group has achieved outstanding results in a number of national Golden Projects, such as Golden Auditing, Golden Quality, Golden Insurance, Golden Agriculture (Agricultural Management and Service Information System), Golden Macroeconomic Management (Macroeconomic Management Information System) and Golden IC-Card Projects, by which ResourceOne was recognized by CCID as the top brand among e-government application support platform products in China, establishing a comprehensive leading position in e-government. According to IDC market research, the Group has maintained among the top three in the overall rankings in the market of government industry solutions for five consecutive years. The Group provides its government customers with solutions such as auditing and supervision management (an electronic supervision solution with the most domestic users and the most extensive application), social insurance and welfare management, state owned assets management, food and drug administration management, meteorology and scourge warning, execution permission management, government decision support system, online applications and approvals, office automation, citizen portals, etc. The Group has many large customers, including the Ministry of Agriculture, the State Food and Drug Administration, the Ministry of Human Resources and Social Security, the State-owned Assets Supervision & Administration Commission (SASAC), the Ministry of Finance, the Ministry of Housing and Urban-Rural Development, the Ministry of Environmental Protection, the Ministry of Transport, the General Administration of Quality Supervision, Inspection and Quarantine, the General Administration of Press and Publication, the China Meteorological Administration, the Civil Aviation Administration of China (CAAC), and the State Administration of Foreign Exchange, and is the only strategic partner and overall solution provider of the National Audit Office.

During the reporting period, the Group maintained its leading position in the auditing industry and promoted its mature audit solutions all across the nation. Meanwhile, the Group captured first-mover advantages through completion of the local projects of Golden Auditing Project III. By promoting the nationwide introduction and implementation of Phase I of Early Warning System for National Public Emergencies, the Group established customer bases for the construction of Phase II and expanded local channels. The Execution Permission and Approval System of Environmental Protection Bureau was completed and implemented in a province in Central China, and the Group is planning to promote the System in other provinces and cities. In smart city construction, through close cooperation with Alibaba Cloud, the Group became a cloud integration service provider and undertook the consultation, planning, research, overall design and implementation for the intelligent government administration cloud project in Zhejiang Province. By virtue of its extensive experience in large-scale projects and accurate understanding of customers' needs, the Group has stepped up and became a leading service provider of cloud models.

2.   **Manufacturing and Circulation**

Leveraging on the Group's in-depth understanding of manufacturing and circulation industry and years of accumulation in the industry, combined with its professional IT experience and service capabilities deployed around the country, the Group has made intensive efforts over years in the manufacturing and circulation industry with a number of proprietary softwares such as MES and Logistics Execution Systems (LES), to provide customers with developed "End-to-End"services covering from automation system at the bottom to decision support system at the top, from factories application to group management and from management consulting and IT planning to systems development and IT operation and maintenance, occupying a leading position. In particular, as a strategic partner in tobacco industry information services, the Group has such core strengths as trend holding, leading IT and comprehensive all-rounded capabilities, and is engaged in the establishment of industry application standards, achieving 100% coverage of Chinese cigarette top 100 brands. It also integrates the application services of all providers as an industry platform. The Group provides its customers in the manufacturing industry with application software and solutions development, integration, and operation and maintenance services such as ERP, CRM, Manufacturing Execution Systems (MES), Logistics Execution Systems (LES), Safety Production Management, Enterprise Application Integration, Warehouse Management System, and Goods Tracking and Tracing. The Group's business covers tobacco, machinery, automobile, steel, pharmaceutical, printing, etc., and main clients include China National Tobacco Corporation, SinoSteel, Pfizer Pharmaceuticals Limited, China Banknote Printing and Minting Corporation and Harbin Electric Machinery Company Limited.

During the reporting period, the Group maintained its dominant position and influences in the tobacco industry. It won the bid for the industry data centre, which, being a key project for the industry, was an important expansion of large data technology for traditional businesses, and its professional data application capabilities further received customers' recognitions and gratifications. The Group also maintained its market leading position in MES (Manufacturing Execution System) sector, and was awarded a number of projects including Hubei China Tobacco. The Group won the bid for "E-home Terminal System" of a tobacco company in a province and its subordinate local companies, achieving a new breakthrough in the circulation marketing sector, with a high promotional value as a typical example. The "Commercial Prepaid Card Platform of

Suning" undertaken by the Group was successfully launched, which provides a series of service functions for business operators and merchants in relation to issuance of cards by themselves, such as card making, card issuance, clearing and settlement, and is considered as a successful expansion of the application of financial bank solutions in the pan-circulation industry. The Group focused on exploring large customers. In particular, it was awarded an information platform project for a large state-owned enterprise and entered into a strategic cooperation agreement with a well-known mining group to develop IT business for the mining industry of the country.

3. **Banking and Financial Services**

The Group has had a long history in providing industry solutions, system integration services and related high-end services for its key customers including four major state-owned banks, postal savings banks, a number of joint-stock commercial banks and city commercial banks, as well as foreign-invested financial institutions in China, accumulating extensive experience in industry application and achieving "Three Firsts" in China – the first inter-bank bankcard payment network system, the first financial IC card payment and clearing system and the first e-commerce online payment and settlement system. In particular, the "electronic funds transfer and retail banking application system" was recognized as one of the outstanding projects of the fifteenth National Torch Program. The Group offers customers in the finance industry solutions such as payment and clearing system, credit management system, bank card system, credit card management system, risk control system, electronic marketing, business intelligence, and professional financial IT services, while the Group possessed unique competitive advantage in several aspects such as bank card business and the peripheral applications, online payment, risk control, credit financing and inter-bank linkage etc. According to IDC market research, the Group was ranked among the top five for many years in the payment and clearing solutions market of the banking industry, and had been ranked first in bank card system market in 2010. The Group's major customers include China Construction Bank, Agricultural Bank of China, Postal Savings Bank, Bank of Communications, China CITIC Bank, China Guangfa Bank, China Minsheng Bank, Ping An Bank, Shanghai Pudong Development Bank, Industrial Bank, many joint-stock commercial banks, city commercial banks, and foreign financial institutions in China.

During the reporting period, leveraging on its advantageous position in respect of bank cards, the Group strengthened its efforts in various aspects by initiating industry-chain competitions. For financial IC cards, the Group entered into agreements with a number of joint stock banks and tens of city commercial banks, maintaining the largest market share in the sector. In payment and clearance sector, the Group continued to strengthen its top three position by contracting with tens of foreign banks, joint stock banks and city commercial banks. Regarding credit and financing, the Group entered into agreements with quality customers including a number of joint stock banks in respect of its supply chain solutions, and maintained the top position in the supply chain financial market. Additionally, the Group won bids of and contracted with material customers including HSBC Software, and adopted a customized service model. It accumulated invaluable experience of serving large customers in the industry, hence achieving breakthroughs in its operation models.

4. **Insurance and Securities**

    With strong technical strength and extensive experience in the financial industry, the Group has already secured many prestigious customers in the insurance and securities industry, and is highly recognized by the customers for its service practices. In addition, it has established leading technical position in high-end insurance sectors, including core business operations, channels management and marketing support, back-desk management, business intelligent (BI) and insurance/securities content and knowledge management, by which it has penetrated into the core business and high-end business and become a key market player in the insurance and securities industry to help the customers to secure more competitive advantages.

    During the reporting period, the Group contracted with a branch of a large state-owned property and casualty insurance company for an integrated business intelligence (BI) platform project, receiving further recognition in the business intelligence sector. The Group also successfully entered the insurance e-commerce sector, with the e-commerce project of a life-insurance company that was the first C to B insurance e-commerce platform construction project in the industry, and the e-commerce project of a state-owned insurance company was the first insurance e-commerce data mining project in the industry. The core competitiveness in respect of insurance ESB and insurance securities BPM was established. The Group also successfully contracted with SD&C Shanghai branch for its core system maintenance, which represented the Group's involvement in the core business areas of securities industry.

5. **Telecommunications**

    The Group is one of the early service providers in wireless internet platform design, development and operation, also one of the largest professional service providers in application development and adaptation for mobile clients. As a trusted partner of China's telecommunications operators and equipment makers, the Group provides its customers with product design & development and operation & promotion services such as mobile payment, mobile instant messaging, mobile SNS, enterprise mini blog, mobile application stores, PTT (push to talk intercom phones), embedded browser, mobile advertising platform, etc. The Group's major customers include a global leading telecommunications equipment provider in China, China Mobile, China Unicom, and China Telecom etc; these clients fully recognise the Group's service capabilities, attitude and quality; they have awarded the Group with more cooperation projects while they are experiencing rapid growth in their own business. At the same time, the Group has worked closely with its customers to develop overseas markets by using their resources.

    During the reporting period, the Group won the bid for wireless products of Fetion business development and support services of China Mobile, to provide business construction and support for Mobile Fetion and Fetion HD products for China Mobile. Leveraging on its strong product development capability and numerable practices in the mobile internet field, and through the active participation in Fetion business cooperation project, the Group further strengthened its strategic partnership with China Mobile, and successfully became a core supplier of mobile internet operations. Through the in-depth cooperations with Alibaba Group in respect of cloud computing, data transfer, on-line expansion and mobile terminal development and tests, the collaboration of scale with Ali Group has stepped into a new stage.

6. **Public Service**

After years of accumulating professional experiences, the Group is in a leading position in the public transportation areas such as public transport, rail transit and airport management, and has established three "First System in China" – the nation's first smart card payment and settlement system in urban transport, the nation's first one-ticket-transfer payment system in urban rail transit, and the nation's first Automatic Fare Collection system (AFC) with independent intellectual property rights. The Group provides customers in the transportation industry with solutions and professional application integration, operation and maintenance services such as Smart Card, Automatic Fare Collection system (AFC), AFC Clearing Centre (ACC), intelligent transportation, and airport operation management system. The Group's smart-card-type solutions enjoy the largest market share in China, which have been adopted by nearly 30 cities. More than 100 million cards have been issued throughout the network systems and stood up well to the test of huge customer traffic. Currently, these solutions and services have been successfully exported to other countries. The Group's major customers include China UnionPay, the payment company of China Telecom, Shanghai Metro, Tianjin Metro, Guangzhou Metro, Shenzhen Metro, Suzhou Rail Transit, Chongqing Rail Transit, Ningbo Rail Transit, Wuxi Metro and Shanghai Pudong Airport etc.

During the reporting period, the Group maintained a stable growth in respect of city smart card, and was awarded a project of a major city in Southern China, hence expanded its market share in respect of city smart card and reinforced the Group's leading position in the business segment. The Automatic Fare Collection System for Bus Rapid Transit project in an eastern coastal city progressed steadily, the solutions and experience from which are applicable to various provinces and developed places and cities, and the project has promising future and great potential. PBOC2.0 achieved significant breakthroughs in respect of rail transit. The Group successfully contracted with a bank for a PBOC2.0 upgrade project for mobile subways, which was an important expansion of the Group's traditional superior business in mobile internet sector, and the solutions are of great promotional value. The Group also contracted for a national unified payment platform for an operator, for a provincial integrated payment business platform for an operator, and a personal account project for e-commerce companies for an operator, achieving significant growth in mobile operators' business. In addition, the Group continued to seek for quality third party payment clients and worked with a super-large western city to engage in billing and integrated payment handling business based on cloud computing.

7. **Electricity Distribution**

Through years of experience in corporate control, ERP, supply chain management, management services, etc., the Group targets at strengthening the macro-management of enterprises engaging in the provision of electricity and oil in the energy industry, enhancing the overall requirement on corporate control, which allows it to partially enter into the core business system and management information system in the energy industry. Regarding the energy industry, the Group insists on its philosophy of "enhancing customer's value" and established cooperation with five major enterprises in segmented industries, such as electricity generation, electricity grid and oil field, together with related cooperative partners, and involved in providing special IT solutions, corporate project management, management service IT solutions, etc. Leveraging on its "end-to end" service capability and continuously making use of the overall requirement for the

industry in the macro economy, the Group laid a solid foundation for the systematization of its customers in the energy industry with the support of a professional team and an excellent operation system. Currently, the Group signed cooperative agreements with two IT solution partners and together commenced overall design and development works for a dozen of projects.

During the reporting period, in the electric power marketing field, the Group completed the acquisition and integration of Along Grid, achieving significant progress in the electric power marketing business. The Group also further strengthened its market position in the sector by leveraging on its service capabilities established through acquisitions. In the electric power materials management field, the Group established end-to-end service capabilities from consultation, research and development and implementation to maintenance by way of providing integrated storage platform solutions. The pilot web-based provincial level materials storage IT construction project was successfully accepted and became a model in the industry, which has established foundations for subsequent promotion of material storage IT construction in the industry.

Outsourcing Services Business

Our Services

The Group is committed to provide global customers with complete, flexible, and scalable high quality IT outsourcing services. With experienced management and technology specialists as well as a variety of delivery models, the Group is able to adapt to the changing business and technologies. At the same time, with the help of its Excellence Training Centers (ETCs), the Group can integrate the needs for skilled consultants across customers of various industries, so as to provide customers with high-quality, low cost outsourcing services. The Group's outsourcing services typically take the charging model based on time and raw material cost.

1.   **Product Engineering**

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

The development products by the Group has include operating system, database, middleware, network protocol, speech recognition and human-machine interface, telecom value-added applications and other software products. The Group can also provide specialised products and services, including product design, development, and quality assurance and testing.

2.   **Application Development and Maintenance**

To specific customers the Group offers application development and management services such as application software development, system maintenance and system optimisation, based on the needs of industry customers. The Group's ADM services were designed to help customers realise the scientific management of spending in IT outsourcing, enabling customers to focus more on their core competencies.

The Group has experienced and well-structured ADM service teams in application environments such as mainframe computers, client/server, internet and mobile internet, as well as a variety of platform software programs including various mainframe system, Windows series, Linux/Unix and Android, Symbian, IPhone OS, etc. The Group can deliver the ADM services in its Centers of Excellence (COE) or at customer sites.

3.   **Enterprise Application Service**

The Group provides consulting-driven enterprise application services. While keeping standard functions of system application unchanged, the Group takes into consideration of differences in customised needs of enterprises, considers managerial needs, proposes an application solution meeting their needs, and enhances management quality of enterprises, allowing customers to realise goals of supporting business of enterprises.

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

4.   **BPO, EPO and KPO**

The Group offers BPO, EPO and KPO services to customers within different fields including finance, manufacturing, medical and healthcare, transportation and logistics, targeting markets in Japan, Europe, America and the Greater China regions. The Group controls and manages service quality and costs through synchronised integration of technology, personnel and processes. The Group's very experienced operation management personnel customise service processes for enterprises, effectively helping the customers improving their competitiveness, saving time and reducing costs.

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

Business Description and Progress

The outsourcing business of the Group serves clients from the Europe, the U.S., Japan, Korea and Greater China with comprehensive and customised services. Its Centers of Excellence (COE) all over the world have realised flow-line standardised delivery. Accordingly to IDC, the Group is among the top four for the overall market of off-shore outsourcing in China, among the top two in the market segments in Europe and America. The Group was awarded "Top 100 Outsourcing Service Providers in the World" for four consecutive years by IAOP (International Association of Outsourcing Professionals). The Group provides its customers in the hi-tech industry with services including product engineering, application development and maintenance (ADM), enterprise application services (EAS), and BPO and KPO services. The Group main customers are Microsoft, IBM, Pfizer (from the Europe and the U.S.), NEC, Hitachi, and Panasonic (from Japan and Korea), Huawei, Tencent, Pingan (from Greater China). The Group serves as the first "Global Premier Vendor" of Microsoft Corporation in China.

During the reporting period, the joint venture with Huawei achieved significant progress in its capability construction. Based on the capability of independent offshore delivery, it actively established ability to deliver to customers more rapidly with higher quality at lower cost, and delivered more projects independently. By optimizing organizational structure and rationalizing personnel deployment, the personnel utilization efficiency was improved. Through IT platform construction for human resources management, financial management and project management, the joint venture has laid a solid foundation for further enhancement of its operating ability in the future.

During the reporting period, the strategic partnership with Microsoft was deepened. As the most valuable supplier of Microsoft in the world, the Company also became its preferred supplier for MCS (Microsoft Consulting Services) in China. The Company obtained COPC Customer Operations Performance Center certification, providing recognized quality and process guarantee, and providing Microsoft with global technical supports. Meanwhile, for the cloud computing aspect, the Company set up Azure workshop and SharePoint workshop, and the cooperation with Microsoft advanced into a more strategic stage, i.e. Chinese cloud computing market expansion, which laid a foundation for joint expansion of cloud computing business in China.

During the reporting period, the Group achieved breakthroughs in fund sector through collaboration with more than ten companies including ChinaAMC, GF Fund, China Merchants Fund, Huashang Fund, Pingan Fund and Harvest Fund, establishing a leading position in the industry. Its business for Pingan Bank achieved a breakthrough in scale and became the pacesetter for win-win collaboration with customers in the sector. For telecommunications LTE+ sector, backed by its core customers, Datang and TD Tech, the Group continued its penetration in 4G technology related aspects, including space information, cloud computing, internet of things, mobile internet and next generation internet to achieve industry chain breakthroughs. For e-commerce logistics, through close cooperation with SF Express Group in respect of air transport, payment and platforms, the Group provided support to SF Express' storage, circulation and distribution business, and would cover the logistics system of SF Express in full, thus achieving expansion in logistics industry.

Training Business

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

As a human resources supply platform of the Group, based on many years experiences of providing customised training to employees for large enterprises, ETC's business model has become increasingly mature. With its excellent partnerships with colleges and universities, a

large number of student resources, and the recruiting channels that cover the entire country, the Group is able to quickly customise a human resources pool according to the needs of the customer. Meanwhile, in order to quickly respond to and meet the Group's clients' requirements for customised training, ETC has achieved the capability of delivery upon confirmed orders by employers through the construction of menu-style standardised customised curriculum system consisting of the business characteristic module, the practical virtualization module, and the vocational skills and quality module.

During the reporting period, the Group signed on with 2 additional colleges (accumulative total of 64), of which 2 institutes/professional colleges were jointly built (accumulative total of 46); With the approval from the Ministry of Education, the Group established an " 'Undergraduate Education Project' Students Practice Education base for local colleges and universities" jointly with four universities including Jishou University, which is a single project that has the largest number of schools approved. Regarding the internet of things and mobile internet, the Group started collaboration with additional eight universities (accumulative total of 25) including Changsha University of Science in respect of laboratories construction, 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.

Competition and Core Strength

1. **Highly Competitive Industry Experience**

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

2. **End-to-end Service Model**

   The foundation for the Group's continued and steady business growth was formed with the end-to-end business model that has integrated consulting, technology services, outsourcing and training. The Group offers customers consulting services combined with its industry experience, seek to have breakthroughs driven by consulting, help customers truly solve their problems through technology services, and provide outsourcing services according to customer needs. Cross-selling of different services to the same customer improves customer loyalty.

3. **Global Delivery Capability**

   The Group has global delivery capability, with a quick response mechanism in place for business deliveries in different parts of the world such as China, the United States and Japan. Fully leveraging the industry knowledge and experiences gained from serving its global customers, the Group also achieves its business development in domestic market, while helping overseas customers to enter the market in China. Through the enhanced interaction of markets at home and abroad, the Group also increases the rate of successful contract signing and its capabilities of industry service, further consolidating its relationship with customers, leading to strategic partnerships with a variety of customers.

4. **Strengths in Technology Innovations**

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

Significant progress has been achieved for R1 in respect of cloud computing. Through the cooperation with AliCoud to jointly develop PaaS platform, 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.

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

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

As of 30 June 2013, the Group had 18,612 employees, mainly distributed in regions such as Mainland China, Hong Kong, Japan, the United States, and the United Kingdom. Among which, project managers, senior technicians and consultants accounted for one tenth (1/10) of the total number of technicians. This elite group has outstanding IT skills, extensive management experience, deep industry knowledge, and most of them had worked in the Group for more than five years, fully identifying themselves with its corporate culture. Meanwhile, in order to maintain the stability of the Group's core staff, the Group has developed a clear mechanism for talent promotion, and also incentive and training programs.

The Group collaborates with 400 universities and educational institutions, with its ETCs established in Beijing, Tianjin, Dalian, Changsha, Wuxi, Chongqing, Xiamen, Nanjing, and Xi' an. The Group also developed practical training courses customised to the specifics of the Group's business department. The business department can participate in course design, process tracking and evaluation, select high-quality students from the large training resource pool to ensure a steady stream of practical talent supply.

6. **A Win-Win strategic cooperation**

   The Group established a comprehensive cooperation on various aspects, such as investment and business, with a number of world-class strategic partners. This has allowed the partners to share client resources and finally achieve a win-win situation. In the middle of 2011, Legend Group's Hony Capital became a substantial shareholder of the Group. As a major information technology service producer to Hony Capital and its invested enterprises, the Group will become the core enterprise and act as an integrated platform for Hony Capital to make investments in the information technology area in the future; the Group and Huawei established a joint venture company in 2012, aiming at building a business process and IT outsourcing service company that will get a foothold in the PRC and serve the globe.

Business Strategies

The Group's goals are to maximise shareholder value, and con

Human Resources

As of 30 June 2013, the Group had a total of 18,612 employees, representing an increase of 9.1% over 17,053 employees as of 30 June 2012. The average number of employees in the current period was 18,779 compared to that of 15,775 in the period one year ago. This is a rise of 19.0% which is slightly lower than the rise in our service revenue of 21.1%. This was mainly attributable to the gradual increase in the utilization rate of staff on projects as a result of the Company's focus on operational efficiency by the Group.

Since the listing on the Growth Enterprise Market in 2003, details of the growth in staff size are set out as follows:
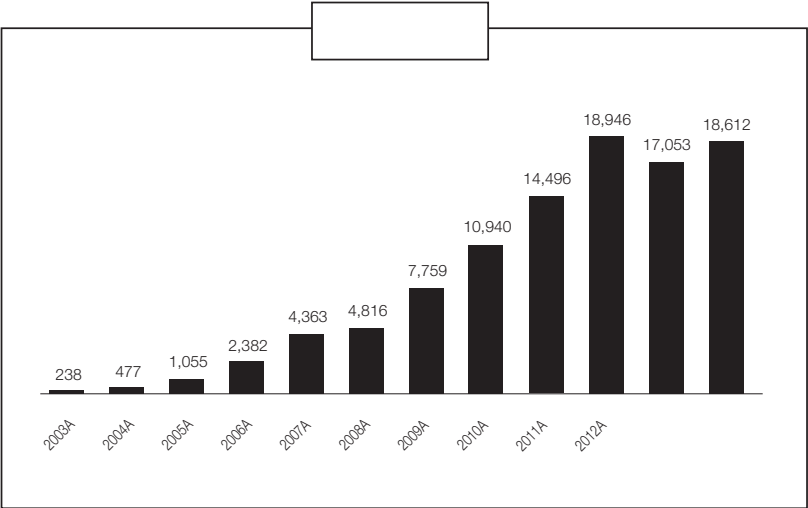
Earnings Capability

In the first half of 2013, the Group's EBITDA was RMB156.618 million (for the first half of 2012: RMB141.776 million), representing a growth of 10.5% over the same period of previous year. Details of reconciliation of profit for the period to EBITDA are set out as follows:

RMB'000	First half of 2013	First half of 2012	Growth rate
Profit for the period	**80,698**	**65,437**	**23.3%**
+Taxation	5,470	17,102	−68.0%
+Finance costs	20,413	14,260	43.1%
+Depreciation of property, plant and equipment	25,275	21,409	18.1%
+Amortisation of intangible assets and prepaid lease payments	25,255	23,826	6.0%
−Share of results of associates	493	258	91.1%
EBITDA	**156,618**	**141,776**	**10.5%**

In the first half of 2013, the Group's business contribution profit was RMB159.051 million (for the first half of 2012: RMB145.597 million), representing a year-on-year growth of 9.2%. In the first half of 2013, the business contribution profit margin was 11.6% (for the first half of 2012: business contribution profit margin was 12.4%), representing a decrease of 0.8% over the same period of the previous year; the business contribution profit margin of service revenue was 11.8% (for the first half of 2012: the business contribution profit margin was 13.1%), representing a decrease of 1.3% over the same period of the previous year. Details of reconciliation of EBITDA to business contribution profit are set out as follows:

RMB'000	First half of 2013	First half of 2012	Growth rate
EBITDA	**156,618**	**141,776**	**10.5%**
+Share option expenses	2,704	3,626	−25.4%
+Net foreign exchange (gain) loss	−10	23	−143.5%
+(Reversal of) Allowance for doubtful debts	−261	172	−251.7%
Business contribution profit	**159,051**	**145,597**	**9.2%**

OPERATING RESULTS

The following chart sets out the Group's consolidated statement of comprehensive income for the first half of 2013 and 2012 (unaudited):

	First half of 2013 RMB'000	Percentage of revenue	Percentage of service revenue	First half of 2012 RMB'000	Percentage of revenue	Percentage of service revenue
Revenue	1,371,671			1,173,504		
Service Revenue	1,346,810			1,110,874		
Cost of sales	(964,431)	(70.3%)		(812,804)	(69.3%)	
Gross profit	407,240	29.7%	30.2%	360,700	30.7%	32.5%
Other income, gains and losses	38,213	2.8%	2.8%	18,364	1.6%	1.7%
Selling and distribution costs	(79,307)	(5.8%)	(5.9%)	(65,242)	(5.6%)	(5.9%)
Administrative expenses	(235,064)	(17.1%)	(17.5%)	(193,283)	(16.5%)	(17.4%)
Allowance for doubtful debts	261	0.02%	0.02%	(172)	(0.01%)	(0.02%)
Amortisation of intangible assets and prepaid lease payments	(25,255)	(1.8%)	(1.9%)	(23,826)	(2.0%)	(2.1%)
Finance costs	(20,413)	(1.5%)	(1.5%)	(14,260)	(1.2%)	(1.3%)
Share of results of associates	493	0.04%	0.04%	258	0.02%	0.02%
Profit before taxation	86,168	6.3%	6.4%	82,539	7.0%	7.4%
Taxation	(5,470)	(0.4%)	(0.4%)	(17,102)	(1.5%)	(1.5%)
Profit for the period	80,698	5.9%	6.0%	65,437	5.6%	5.9%

REVENUE

In the first half of 2013, revenue of the Group amounted to RMB1,371.671 million (for the first half of 2012: RMB1,173.504 million), representing a growth of 16.9% compared to that of the previous year. Of which, service revenue was RMB1,346.810 million (for the first half of 2012: RMB1,110.874 million), representing a growth of 21.2% over the same period of last year. Once again approximately half of our revenue came from the PSG (48.4%) and the other half from OSG (48.2%) with the remaining from our Training Business.

In PSG, revenue growth was strong in the bank & financial, energy and manufacturing businesses. Bank and finance revenue continues to grow at an astonishing 50+% on a y/y basis while energy business begins to contribute meaningfully to overall PSG business. The Group's insurance business also registered impressive growth although from a small base in 2012. Our tobacco business grew at a more moderate and stable rate while our government business experienced some weakness as orders slowed. Our Government business has slowed in the current period as some of our customers in this sector have delayed deployment of their large projects. Presently