



# 中软国际有限公司

Chinasoft International Limited

(Stock Code 股份代号 : 0354.HK)

## 2019 Annual Results

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# Agenda

- 1. Company Overview**
- 2. Financial Results**
- 3. Business Transformation and Outlooks**
- 4. Investment Highlights**

# About Chinasoft International



率真存厚 立志有恒  
奋斗为本 成就客户  
创造分享 共同成长

- Chinasoft International is a global IT services, business solutions and cloud services provider partnering with the world's leading clients in their transformational journeys.



Ranks		ITS Vendors	Revenue ( Million USD )		Market Share		Growth %	Ranking Among Chinese Peers (2018)
2017	2018		2017	2018	2017	2018	2017-2018	
1	1	IBM	46,129	47,048	5.0%	4.7%	2.0%	-
2	2	Accenture	36,834	40,718	4.0%	4.1%	10.5%	-
		.....						
52	46	China Telecom	3,522	4,205	0.4%	0.4%	19.4%	1
65	65	Huawei	2,435	2,517	0.3%	0.3%	3.4%	2
108	67	Alibaba	1,298	2,499	0.1%	0.3%	92.6%	3
92	95	Mitsubishi Electric Information	1,510	1,567	0.2%	0.2%	3.8%	-
<b>107</b>	<b>96</b>	<b>Chinasoft International</b>	<b>1,304</b>	<b>1,564</b>	<b>0.1%</b>	<b>0.2%</b>	<b>19.9%</b>	<b>4</b>
95	97	TTEC	1,477	1,509	0.2%	0.2%	2.2%	-
99	98	Fiducia & GAD IT	1,377	1,485	0.1%	0.1%	7.8%	-

Sources : Gartner , <Market Share: IT Services, 2018>



# Broad Blue-Chip Customer Base



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Finance	中国银联 中国银行 中国工商银行 中国建设银行 中国农业银行 招商银行 中国邮政储蓄银行 中国平安 PINGAN 深圳发展银行
	HSBC citibank Bank of America 三井住友銀行 Standard Chartered 城市银行 太平洋保险 华夏基金 安邦保险
	中国人民保险 阳光保险集团 中国信保 中国人寿 泰康人寿 华泰保险 甜橙金融 MetLife 友邦保险
Telecom	HUAWEI China unicom 中国联通 中国电信 中国移动 SONY 大唐移动 TD Tech ASP 卓望科技 sicap FiberHome
	Bai 百度 Tencent 腾讯 阿里巴巴 sina 新浪 高德地图 畅游 JD 京东 Ctrip 携程 快钱
Internet	SF EXPRESS 顺丰速运 网易游戏 inspur 浪潮 mi 小米 翼支付 苏宁易购 GOME 国美在线 TOPWAY 卓维网络 Veewon
	Microsoft ORACLE IBM Panasonic Symantec redhat hp Kingdee 金蝶 SAMSUNG oppo
Hi-tech	中国烟草 CSR 中国南车 招商局集团 DEC 东方电气 SANY Pfizer LIUGONG 柳工 GEELY CHERY 中国中钢集团公司 TOTO 山钢集团 GSK 中冶集团
	中国東方航空 中国南方航空 海南航空 深圳航空 SHENZHEN BAIYUNPORT
Manufacturing & Logistics	国家电网 中国石油 中国海油 SINOPEC 中国石化 中国南方电网 中国水电工程咨询有限公司 COMTOP NARI 南瑞集团 中国电建 中广核 CGN
Civil Aviation	
Energy	
Government	

- BJ
- XA
- KS
- NJ
- CQ
- QD
- HF
- WX
- XZ.....

# Rich Industry Solution Capabilities



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## Industrial Solutions

### Government

- Audit management
- Social insurance and Benefits
- State-owned Asset Mgmt
- Food and Medicine management
- Administrative Management
- Policy Planning System
- Online Audit Application
- Public Portal
- Cloud Migration & Integration

### Manufacture & Logistics

- ERP
- MES
- LES
- Safety Production Management
- WMS
- EAI
- Product Code tracking

### Finance

- Payment System
- Receivable System
- Credit System
- Bank Card System
- Credit Card System
- Risk Management System
- Digital Marketing
- Supply Chain Leverage
- Supply Chain Leverage
- Digital Insurance System
- Insurance Dev. Support
- Reimbursement System

### Public Services

- One Card Access
- AFC
- ACC
- Smart Transportation
- Airport Operating System

### Telecom

- Mobile Payment
- Mobile Instant Communication
- Mobile Community
- Corporate blog
- Mobile Application Store
- One-Click Dial
- Embedded Browser
- Mobile Advertisement Platform

### Hi-tech Internet

- Product development
- Software & hardware testing
- Embedded software development
- Consulting & solution implementation
- E-commerce solutions
- Offshore delivery center
- Mobile terminal development
- UI design
- Web development solution

## General Solutions

- CRM
- OA
- BI
- Portal Group
- RFID
- GIS
- Electronic Ticketing System

## Core Products

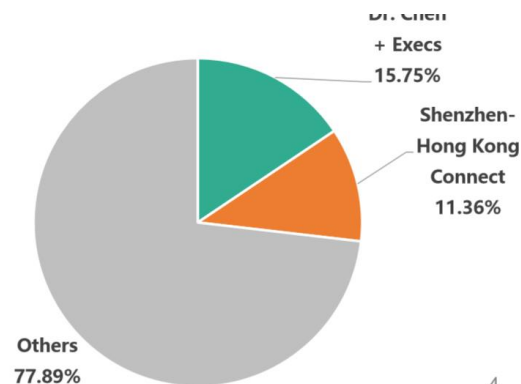
- Middleware Platform ResourceOne is Based on SOA and Cloud**
  - Popular in Government and Manufacturing Verticals – trusted cloud
  - Named the Best Government Platform by CCID 5 Years In a Row
- TopLink/TSA+ Platform**
  - Used in Union Pay, Government, and Provinces Centers
  - Support Cross Regional Bank Card Online Transaction
- Ark Middleware**
  - One-stop big data dev. platform

# Company Overview

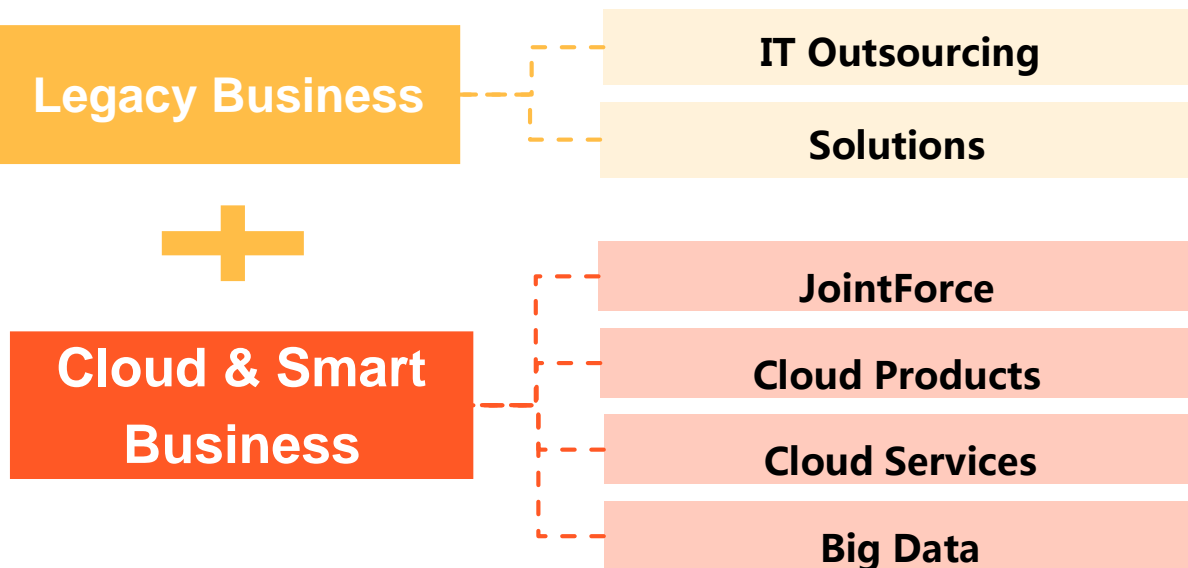
## ◆ Introduction

Established	2000
HK GEM Listing	2003
HK Main Board Listing	2008
Code	354.HK
Revenue in 2019	12 Billion RMB

## ◆ Shareholders

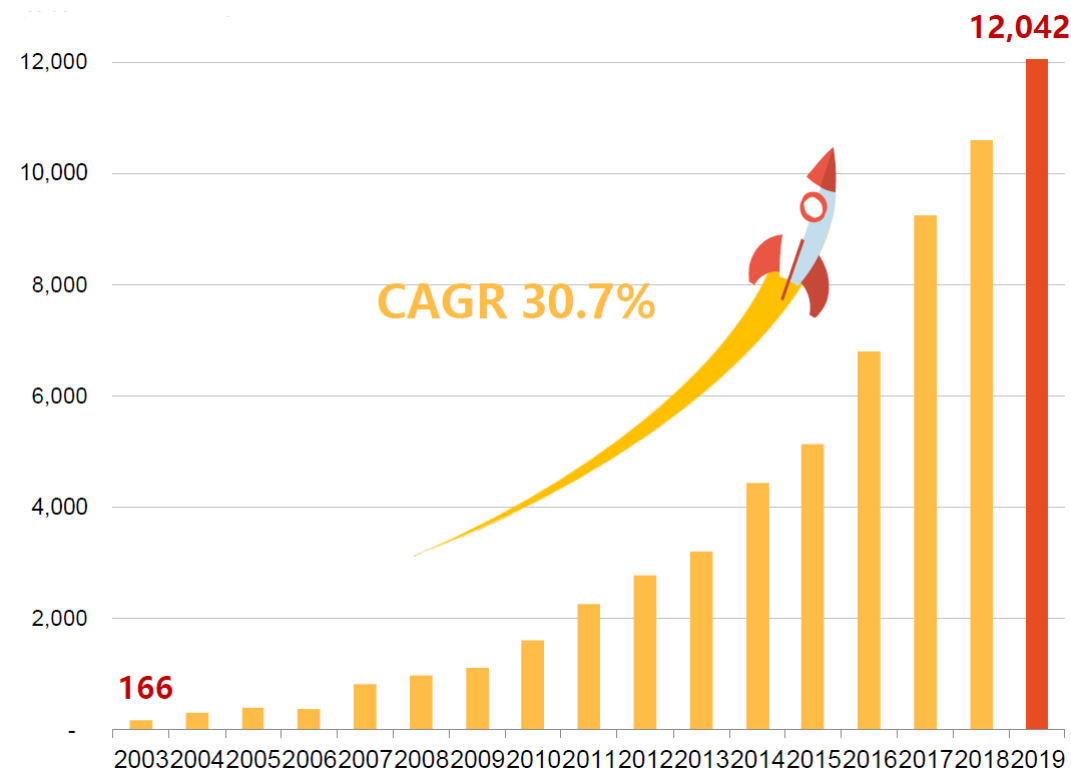


## ◆ Business structure



**Sustained high growth (CAGR 31.9%) ,  
Significantly faster than industry growth (ITS  
expenditure in China CAGR 19%)**

Million RMB





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## 2.1.1 Financial Results

<b>RMB'K</b>	<b>2019</b>	<b>2018</b>	<b>Growth</b>
Revenue	12,041,895	10,585,013	13.8%
Service revenue	11,636,730	10,339,012	12.6%
Gross profit	3,583,093	3,244,657	10.4%
Profit for the Year	756,686	716,171	5.7%
Profit for the Year Attributable to Owners of the Company	754,888	715,803	5.5%
Basic EPS (RMB cents)	30.71	29.54	4.0%

# 2.1.2 Financial Results

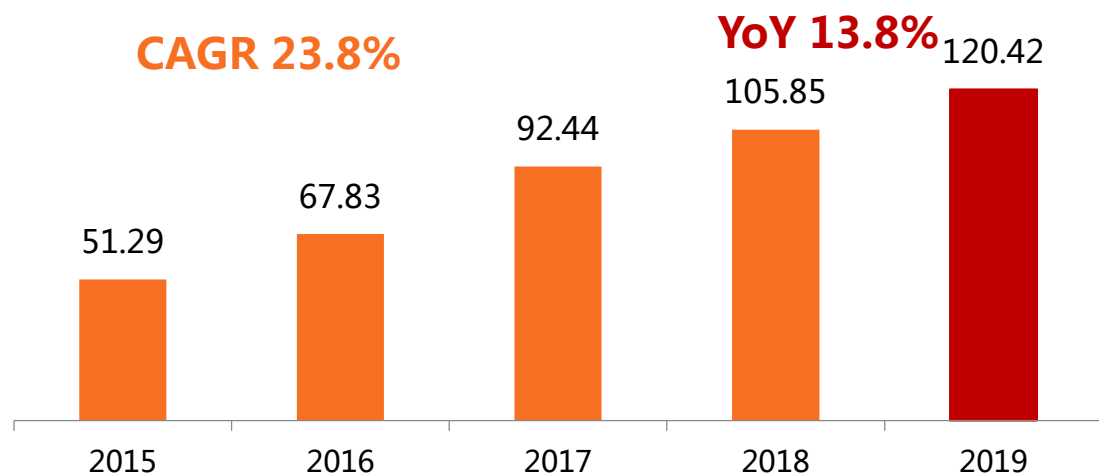


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## Revenue

RMB' 100M

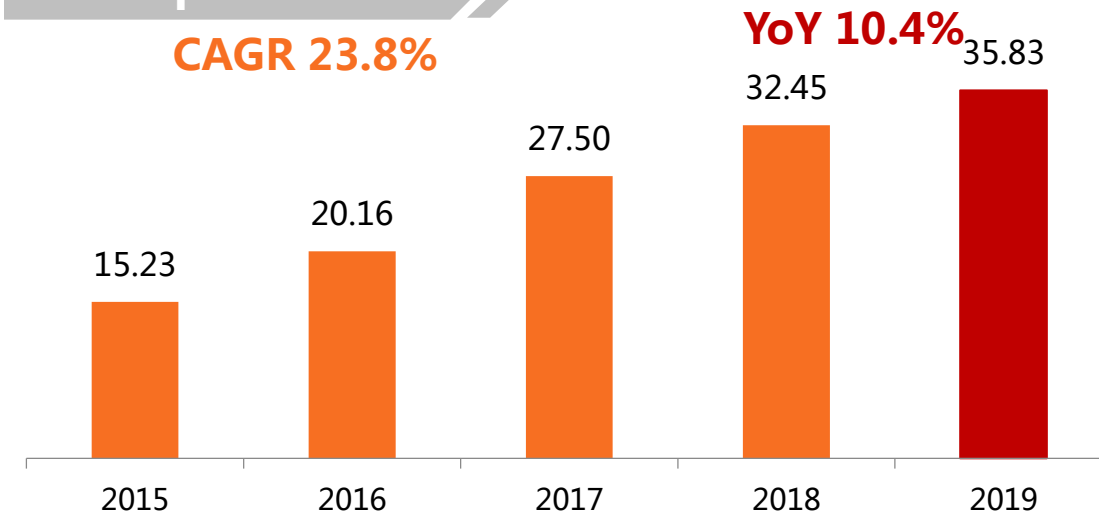
CAGR 23.8%



## Gross profit

RMB' 100M

CAGR 23.8%

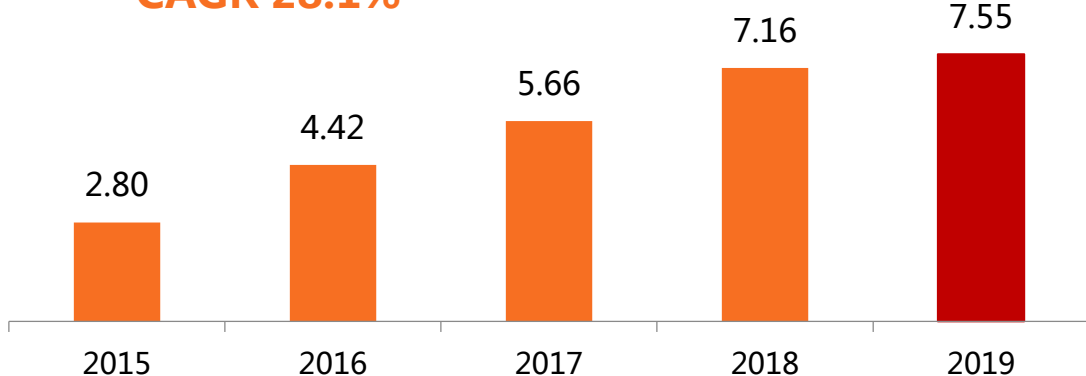


## Profit for the Year Attributable to Owners of the Company

RMB' 100M

CAGR 28.1%

YoY 5.5%

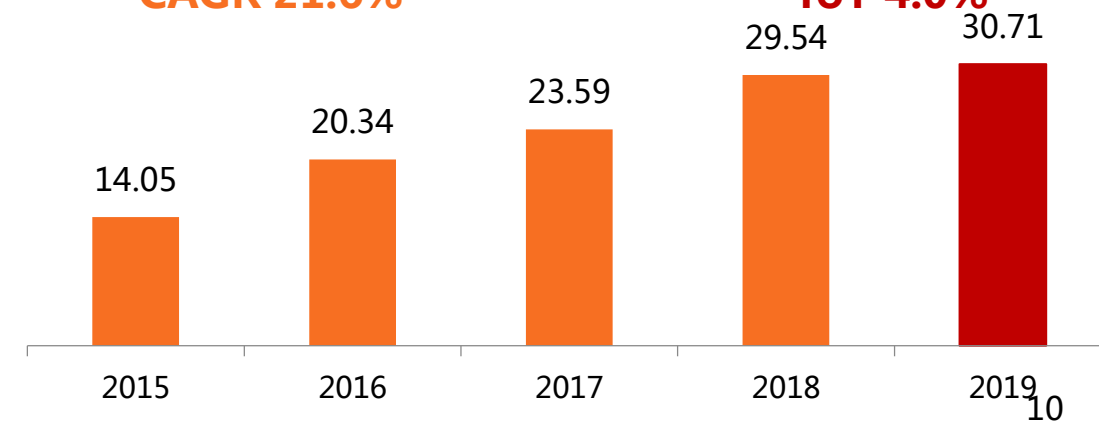


## EPS

RMB' Cent

CAGR 21.6%

YoY 4.0%



## 2.2 Financial Analysis



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Rmb' 000 ¥	2019	Of Revenue%	Of Service Revenue%	2018	Of Revenue%	Of Service Revenue%	Growth%
<b>Revenue</b>	<b>12,041,895</b>	N/A	N/A	<b>10,585,013</b>	N/A	N/A	13.8%
<b><i>Service revenue</i></b>	<b>11,636,730</b>	N/A	N/A	<b>10,339,012</b>	N/A	N/A	12.6%
Cost of sales	(8,569,550)	(71.2%)	(73.6%)	(7,340,356)	(69.3%)	(71.0%)	16.7%
<b>Gross profit</b>	<b>3,472,345</b>	28.8%	29.8%	<b>3,244,657</b>	30.7%	31.4%	7.0%
Other income	177,811	1.5%	1.5%	64,078	0.6%	0.6%	177.5%
Loss from decognition of financial assets measured at amortised cost	(4,544)	(0.0%)	(0.0%)	(7,139)	(0.1%)	(0.1%)	(36.3%)
Impairment losses, net of reversal	(76,986)	(0.6%)	(0.7%)	(35,200)	(0.3%)	(0.3%)	118.7%
Other gains or losses	(35,373)	(0.3%)	(0.3%)	(5,669)	(0.1%)	(0.1%)	524.0%
Selling and distribution costs	(617,554)	(5.1%)	(5.3%)	(495,524)	(4.7%)	(4.8%)	24.6%
Administrative expenses	(1,085,127)	(9.0%)	(9.3%)	(1,091,148)	(10.3%)	(10.6%)	(0.6%)
Research and development costs	(808,949)	(6.7%)	(7.0%)	(739,434)	(7.0%)	(7.2%)	9.4%
Other expenses	(58,929)	(0.5%)	(0.5%)	(68,402)	(0.6%)	(0.7%)	(13.8%)
Finance costs	(166,045)	(1.4%)	(1.4%)	(117,987)	(1.1%)	(1.1%)	40.7%
Share of results of investments accounted for using the equity method	(328)	(0.0%)	(0.0%)	12,222	0.1%	0.1%	(102.7%)
Profit before taxation	796,321	6.6%	6.8%	760,454	7.2%	7.4%	4.7%
Income tax expense	(41,810)	(0.3%)	(0.4%)	(44,283)	(0.4%)	(0.4%)	(5.6%)
<b>Profit for the year</b>	<b>754,511</b>	6.3%	6.5%	<b>716,171</b>	6.8%	6.9%	5.4%



## 2.3 Balance Sheet

RMB ' 000	2019	2018
<b>Current assets</b>		
Inventories	54,421	63,698
Trade and other receivables	3,295,664	2,585,247
Bills receivable	4,443	22,212
Contract assets	2,227,434	2,819,117
Prepaid lease payments	-	860
Amounts due from related companies	75,126	67,765
Pledged deposits	12,861	19,426
Bank balances and cash	2,525,741	2,646,375
	<b>8,195,690</b>	<b>8,224,700</b>
<b>Non-current assets</b>		
Property, plant and equipment	802,423	837,634
Right-of-use assets	278,646	-
Intangible assets	127,382	148,172
Goodwill	973,856	1,006,337
Investments accounted for using the equity method	277,607	144,280
Equity instruments at fair value through other comprehensive income	62,901	51,508
Prepaid lease payments	-	37,003
Other receivable	66,180	29,935
Deferred tax assets	12,541	8,675
	<b>2,551,536</b>	<b>2,263,544</b>

RMB ' 000	2019	2018
<b>Current liabilities</b>		
Trade and other payables	1,240,856	1,497,011
Bills payable	22,051	45,280
Lease liabilities	125,668	-
Contract liabilities	138,815	166,078
Amounts due to related companies	3,101	18,185
Dividend payable	233	81
Taxation payable	83,808	125,174
Convertible loan notes	23,829	198,263
Borrowings	1,523,187	1,675,646
	<b>3,161,548</b>	<b>3,725,718</b>
Net current assets	<b>5,034,142</b>	<b>4,498,982</b>
Total assets less current liabilities	<b>7,585,678</b>	<b>6,762,526</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	14,291	11,062
Convertible loan notes	715,888	719,941
Lease liabilities	123,734	-
Borrowings	200,000	-
	<b>1,053,913</b>	<b>731,003</b>
	<b>6,531,765</b>	<b>6,031,523</b>
<b>Capital and reserves</b>		
Share capital	116,325	112,994
Share premium	3,145,241	2,982,319
Treasury share	(470,752)	(76,451)
Reserves	3,674,621	2,948,128
Equity attributable to owners of the Company	6,465,435	5,966,990
Non-controlling interests	66,330	64,533

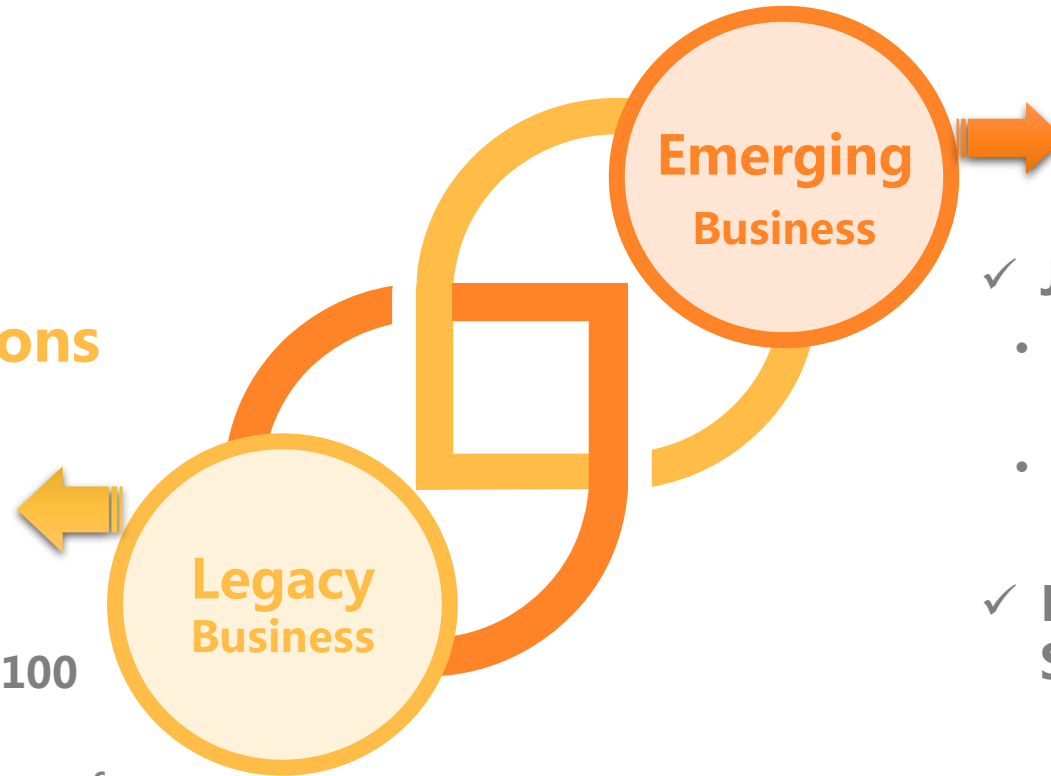
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# Strategy Moving Forward: Old and New

## IT outsourcing & Solutions CAGR 15% (2019-2021)

- ✓ 1<sup>st</sup> largest Customer: Huawei
- ✓ 2<sup>nd</sup> largest Customer: HSBC
- ✓ Develop customers with USD 100 million revenue contribution
  - PingAn, Tencent, Alibaba, Microsoft
  - AIA, Standard Chartered, GE



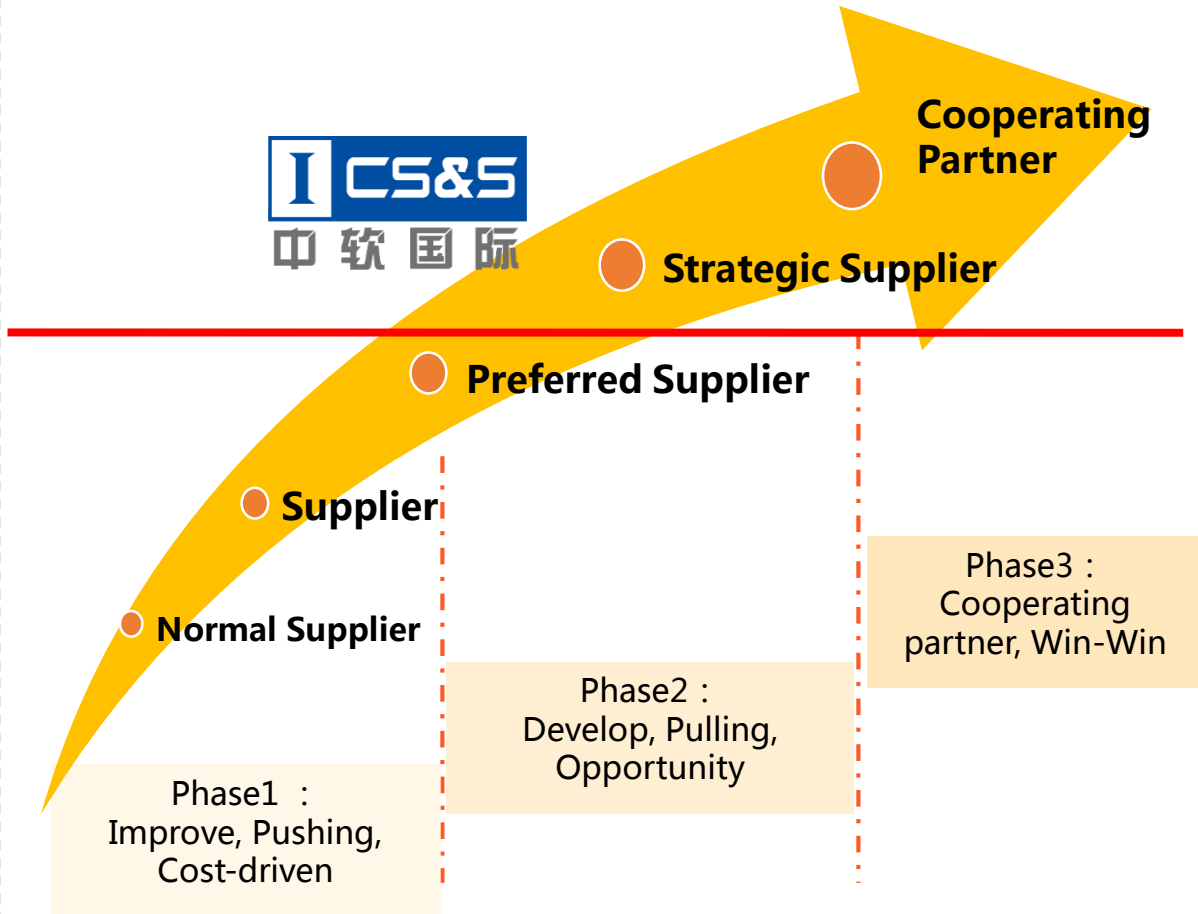
## Cloud & Smart CAGR 60% (2019-2021)

- ✓ Jointforce Platform :
  - Plan Z : Expand the middle and long tail market
  - Cloud Integrative Market : Government IT procurement
- ✓ Full-stack cloud business : SaaS, SolaaS, DaaS, PaaS



# Improve Quality and Efficiency

## Supplier Development (SD) Program: Learn from Huawei



## 5P model Learn from Infosys



# Cooperation with Huawei in R&D Outsourcing

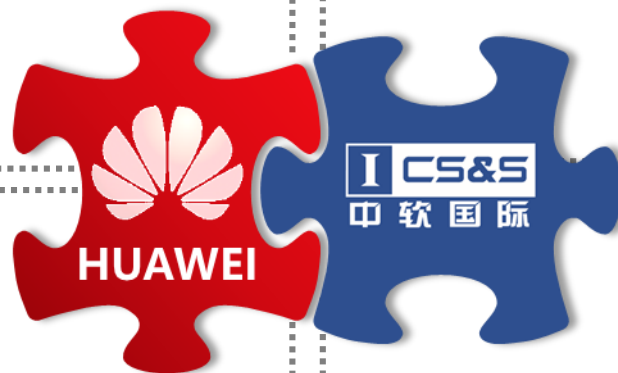


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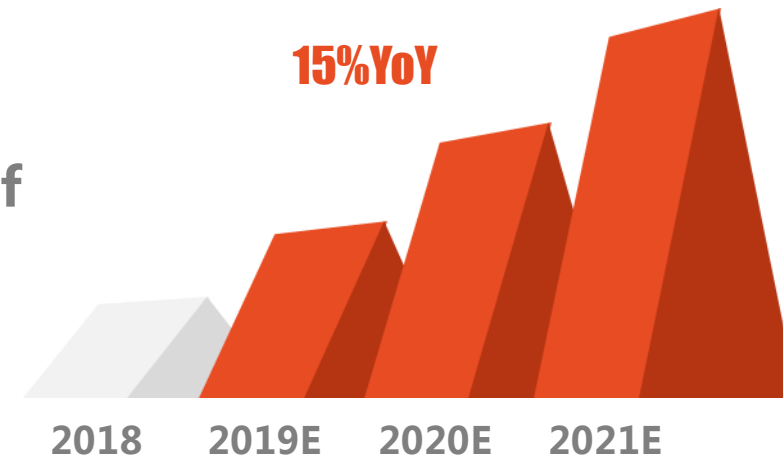
## No.1 in market share

50-60% of Huawei's R&D outsourcing

**1<sup>st</sup> place in supplier evaluation  
for 5 consecutive years**



## Revenue forecast of Huawei



Sources: Huawei 2019 Core Supplier Conference

## Covers all lines of business

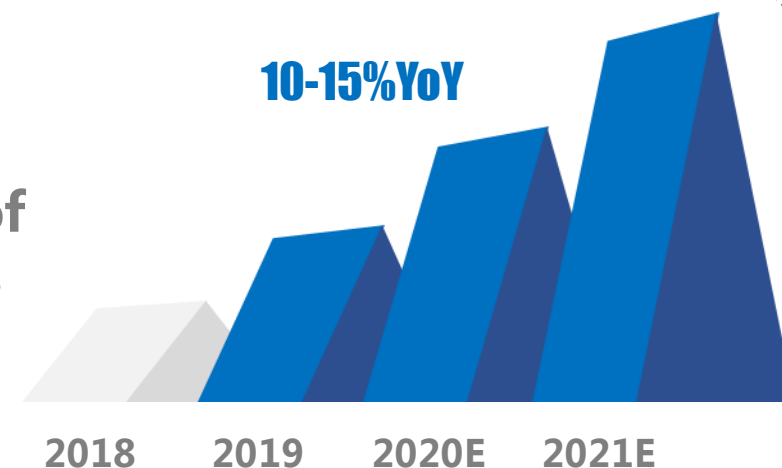
HMS, Consumer BG, Telecom networks, IT, Smart devices, Cloud services, Chip.....

## The Closest partner

1<sup>st</sup> Mutual Cooperation Partner with Huawei cloud

1<sup>st</sup> batch of "Huawei Cloud Kunpeng Partner Program"

## Revenue forecast of Huawei's business



# Ping An' s Business Grew Rapidly

## \$ Strong demand :

- Advancing its "finance + technology" strategy
- AI Bank, Open Bank, data platform business Project.....

## \$ New opportunities :

- AI, Smart cities,
- Ping An Smart Medical, smart hospital management system project.....

## \$ Excellent performance :

- 1st place in supplier evaluation



## \$ Trend of centralized supplier management :

- The market share of Head supplier is growing

## \$ Experiences from HSBC :

- competitive advantages in digital transformation business delivery capabilities

## \$ Advantages of JointForce :

National implementation capacity



# BAT : Deepening Cooperation



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## Strong demand

*More R&D Investment*



## Growing Market share

*Trend of centralized supplier management*



## 2020 Target

*Grow rapidly*

**Tencent 腾讯**

- **Growth point** : Gaming and WeChat Business Group; 需求稳健增长 ; Tencent Cloud and PCG business, including Video, Sports, News, etc.

- **market share rankings** : No.2
- Extend the testing capabilities of the game business to the full service line.



**YoY 42%**

**Alibaba Group 阿里巴巴集团**

- **Growth point** : Ali Cloud, E-commerce, Post-Investment, Ant Financial Services, Rookie Logistics, AI , etc.

- **market share rankings** : No.3
- Increase recruitment management to ensure stable supply of personnel.



**YoY 43%**

**Baidu 百度**

- **Growth point** : Baidu Cloud, co-construction of autonomous driving ecology, Finance, application of AI technology in core application scenarios.

- **market share rankings** : No.2
- Build deeper partnerships.
- Gain customer trust.



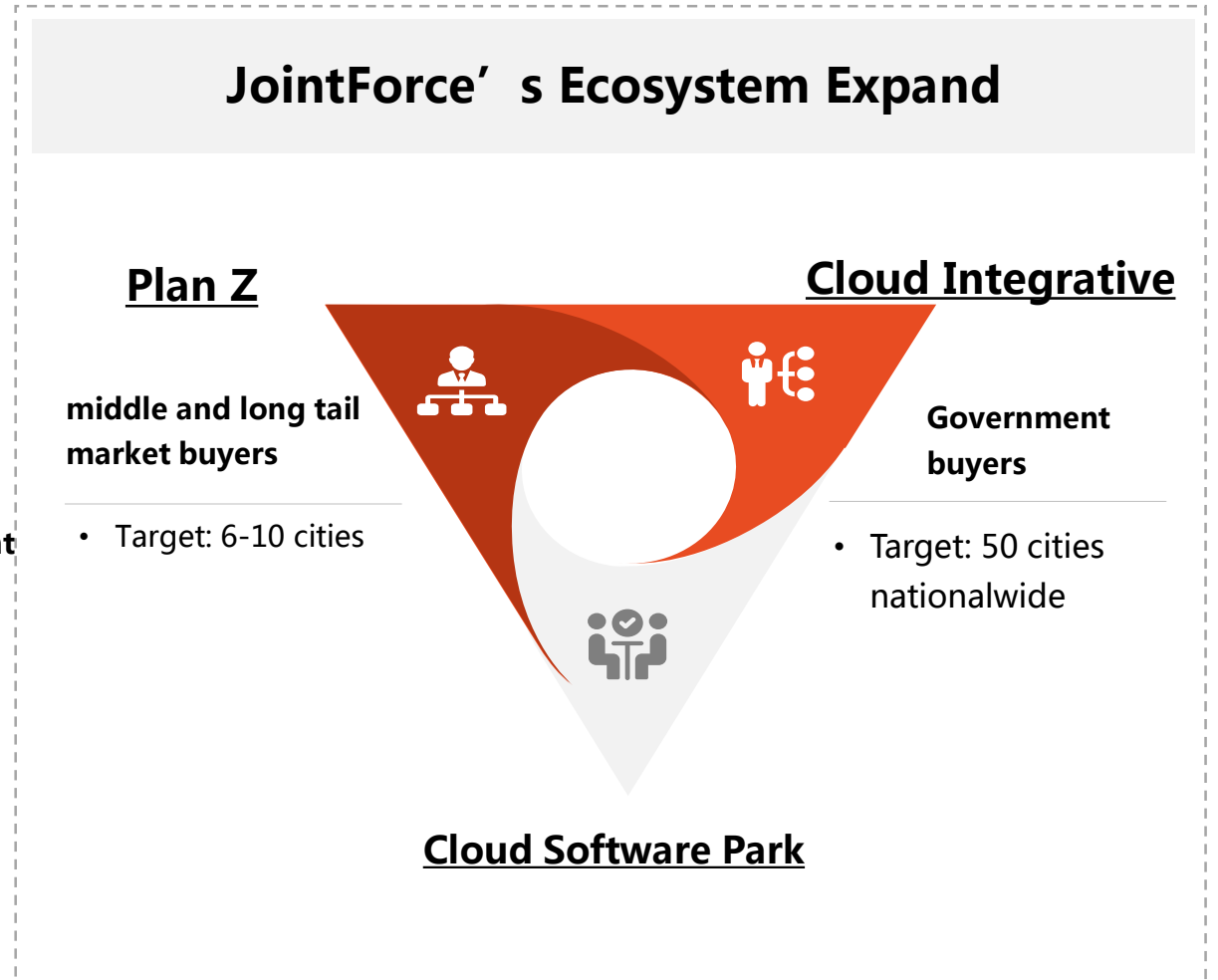
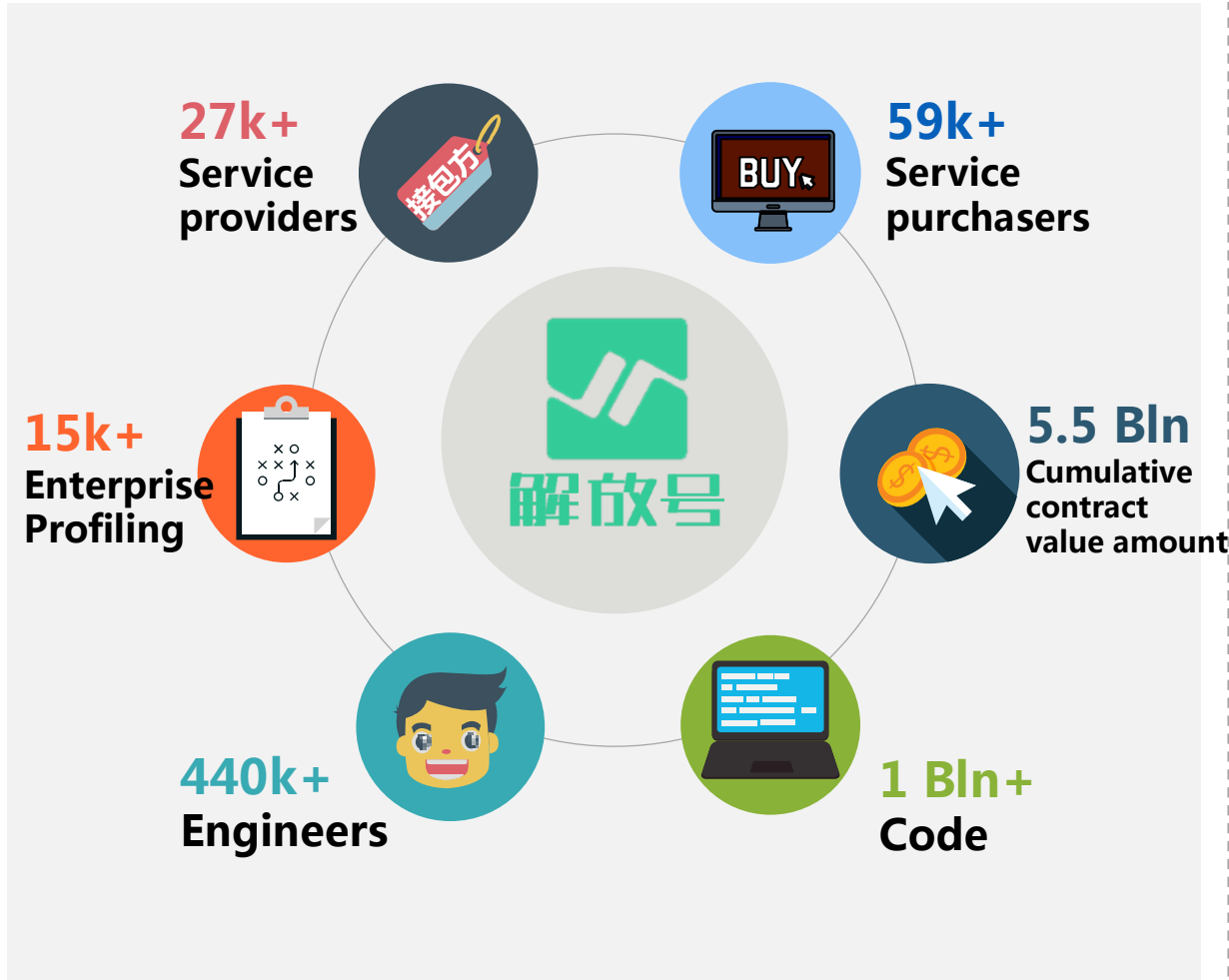
**YoY 100%**

# MNC : Develop International Customers

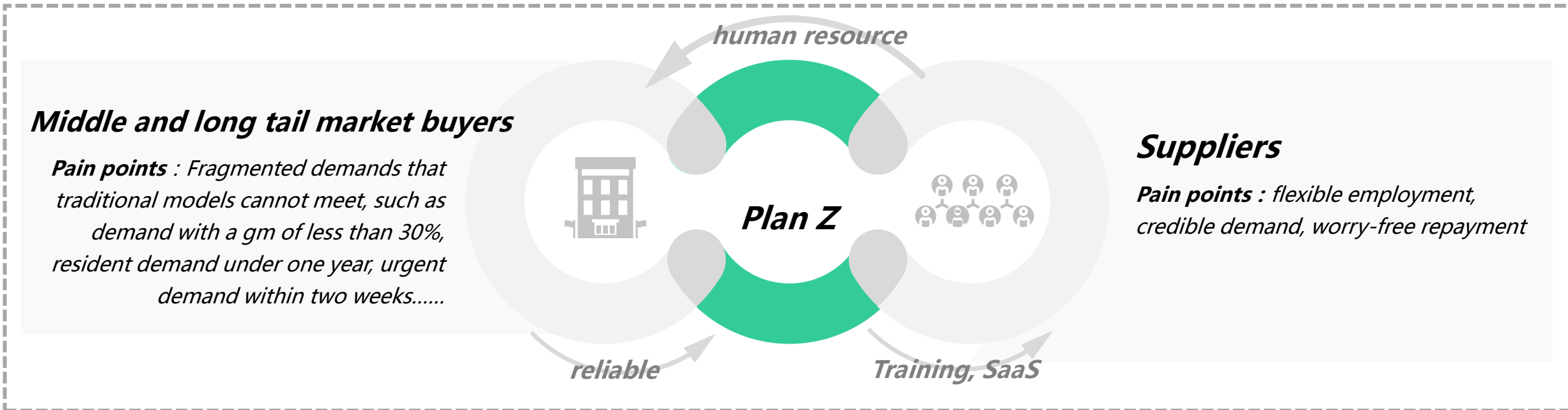


# JointForce' s Ecosystem Expansion

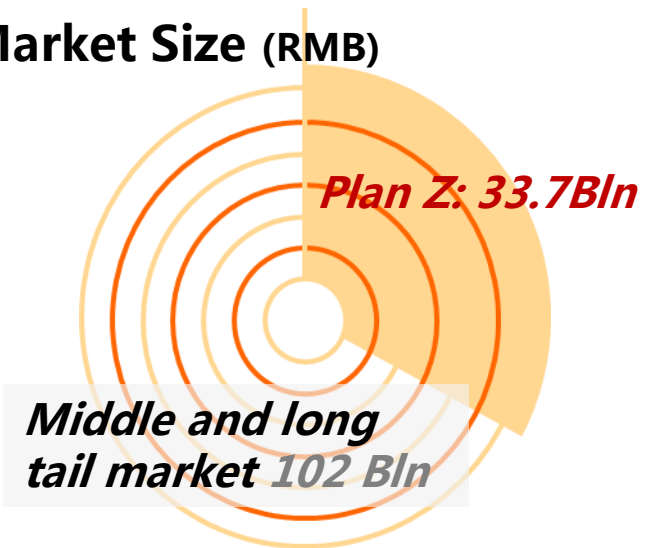
- Jointforce is the leading platform focused on software customization. Through its professional online delivery mechanism and cloud software management platform, its vision is to become the accelerator for China' s smart society.







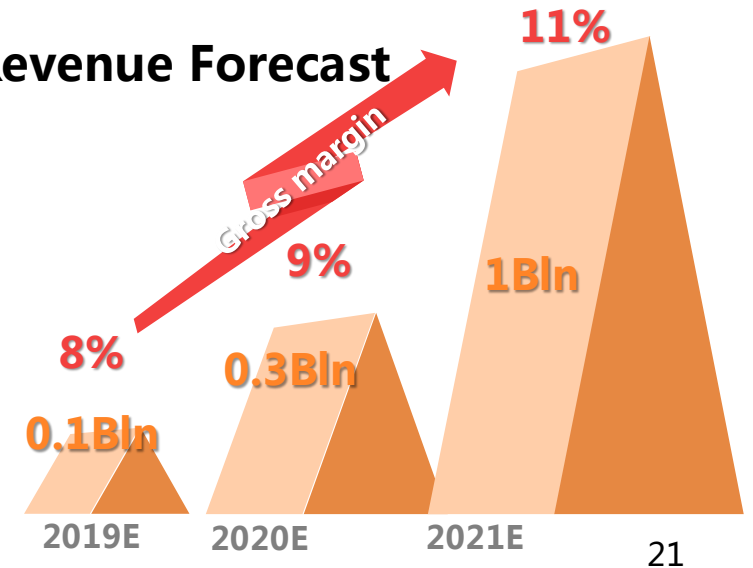
## Market Size (RMB)



## Operational effect

- **Platform** : launched the entire LTC visual management process from "business opportunity management" to "settlement management" .
- **Suppliers** : over 600
- **Buyers Satisfaction** : over 70%

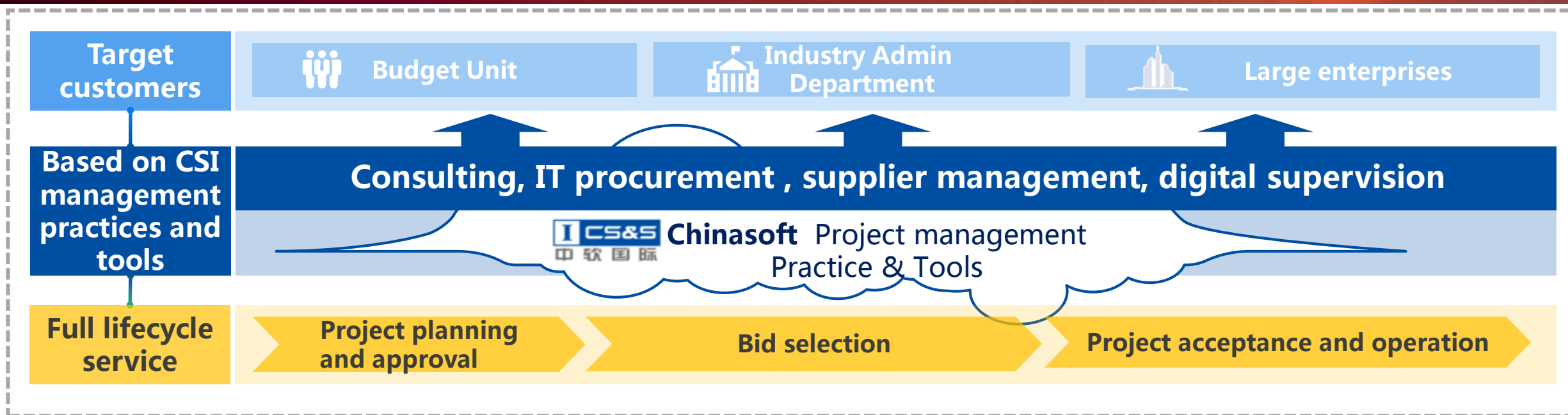
## Revenue Forecast



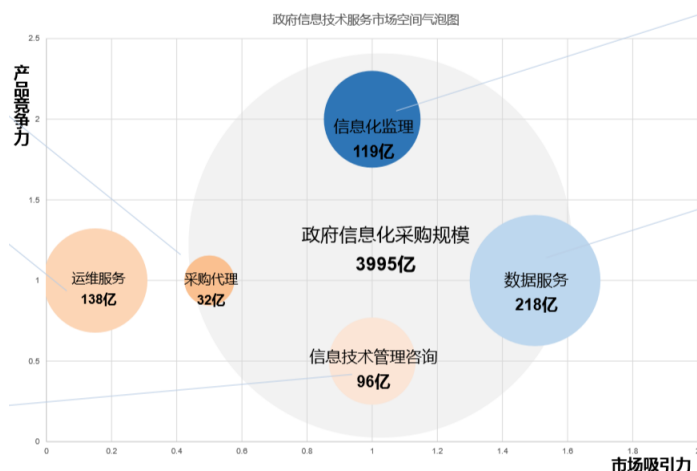
# JointForce: Cloud Integrative Market



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## Market Size (RMB)



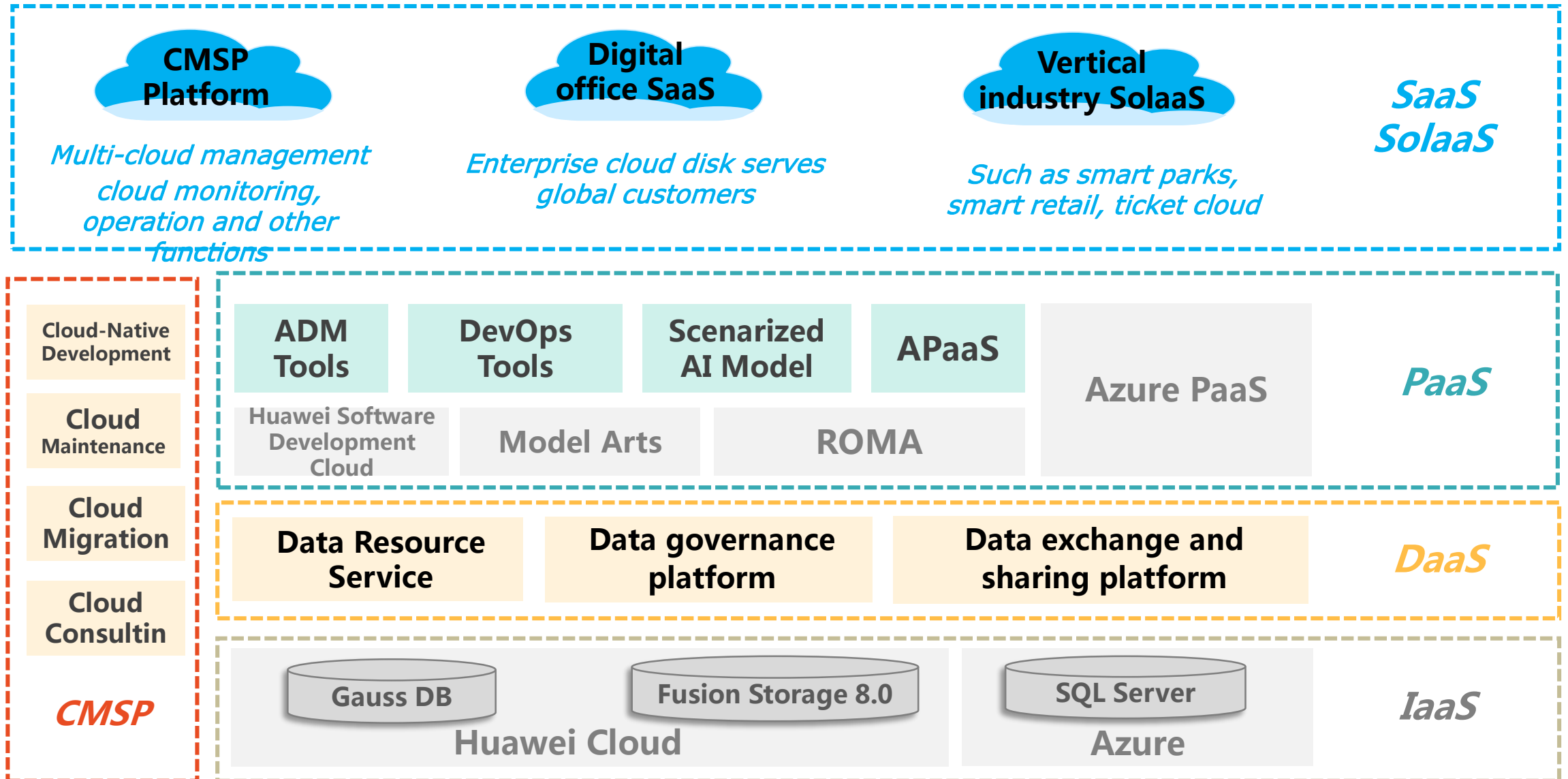
## Operational effect

- 30% reduction in government procurement cycle
- 4% budget savings
- High satisfaction score (4.67/5)

## Expansion plan



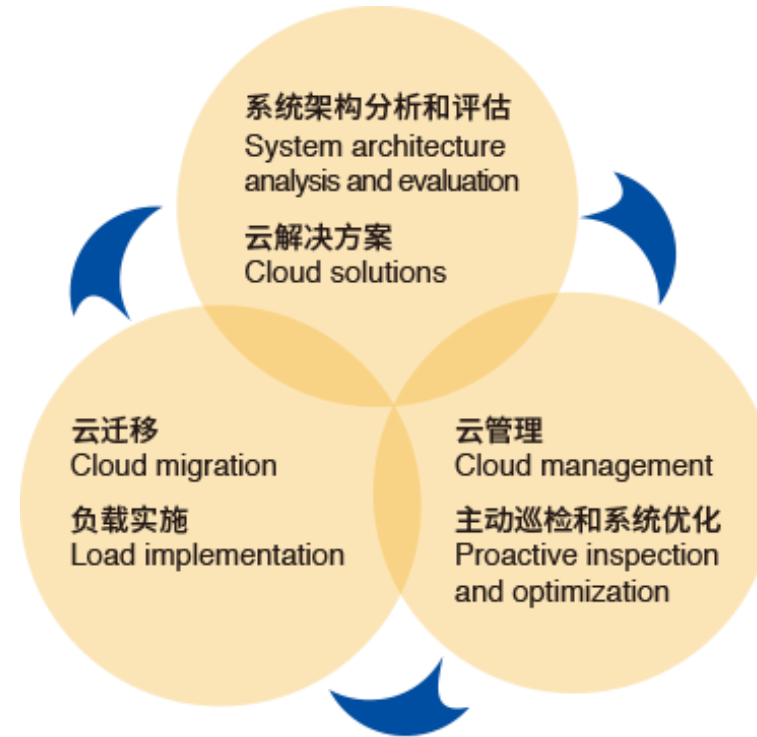
# Full-Stack Cloud Business





<p><b>Cloud consulting</b></p> <ul style="list-style-type: none"> <li>● Cloud consulting &amp; evaluation</li> <li>● System architecture design Professional</li> </ul>	<p><b>Cloud migration</b></p> <ul style="list-style-type: none"> <li>● Application migration</li> <li>● Data migration</li> <li>● Database migration</li> </ul>	<p><b>Cloud managed services</b></p> <ul style="list-style-type: none"> <li>● Monitoring</li> <li>● Security operation</li> <li>● Expert service,</li> <li>● Application customization</li> </ul>
<p><b>Cloud application development &amp; integration</b></p> <ul style="list-style-type: none"> <li>● Cloud integration</li> <li>● DevOps</li> <li>● Micro services</li> </ul>	<p><b>Cloud solutions</b></p> <ul style="list-style-type: none"> <li>● Chinasoft International enterprise cloud drive (JFun Box)</li> <li>● Cloud management platform ( private cloud CMP )</li> <li>● Cloud security management platform ( 3rd party )</li> </ul>	<p><b>Catapult Cloud COE</b></p> <ul style="list-style-type: none"> <li>● Digital workforce as a service (SaaS) Fuse Launch Spyglass Hawk Blitz</li> <li>● Application migration APP (OnRamp)</li> </ul>

Through out cloud is a journey, there are continuous practice and analysis enhancement in cloud life cycle stages.

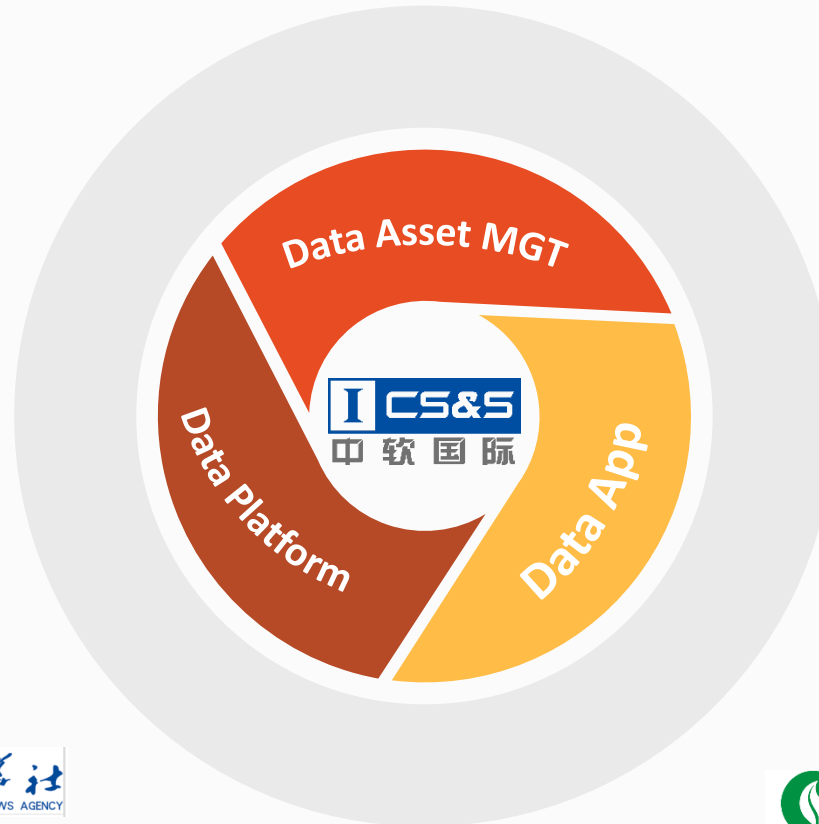


- CSI's big data business provides end-to-end data engineering services and products from consulting and evaluation, implementation and development to data asset management and value management to large and medium-sized enterprises and public institutions at home and abroad. In 2018, the Group won landmark projects in industries such as finance, transportation, manufacturing and circulation, government affairs, and real estate. The company's capabilities in platform construction, data management, and data application are particularly prominent, and it has already achieved industry leading edge.

## Finance



## Public Services



## Transportation



## Tech., Manufacturing, Logistics



- The company is the first batch of "Huawei Cloud Kunpeng Lingyun Partner Program" Ecological partners

## One-stop Kunpeng cloud services

- The Company signed the first Huawei Kunpeng Cloud Migration Framework Agreement.
- Huawei Kunpeng Expert Migration Service covers more than 30 industry scenarios.

## Joint solutions

- The Company and Huawei jointly released the Rail Transit Ticketing Cloud based on the Kunpeng to achieve Kunpeng compatibility test certification for multiple solutions.



## Joint laboratories

- The Company cooperated with Huawei in Chongqing Kunpeng Computing Industry Ecological Operation Center, built Kunpeng laboratory, application system Kunpeng conversion platform, etc.

## Operations and Training

- The Company developed the Kunpeng curriculum with well-known universities to build the Kunpeng education ecosystem.



# Comprehensive New Technology Capability



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创造分享 共同成长

## AI

**Core Tech** : BIO/Image/Voice recognition, Neural network learning, Knowledge map  
**Application** : Anti-fraud, intelligent risk control, intelligent voice robot, intelligent marketing, participating in the "Knowledge Map White Paper", JF knowledge map  
**Strategic Cooperation** : Huawei, BATJ, Turing AI Institute

## Intelligent Manufacturing

**Core Tech** : Digital twins, stimulation  
**Application** : Cloud MES、Honeycomb  
**Strategic Cooperation** : Bosch、Forcam、ESI、Haier、JF-Turing AI Institute

## Blockchain

**Application** : Data consensus, transaction traceability, asset securitization, bill circulation, supply chain finance  
**Strategic Cooperation** : CCB

## 5G

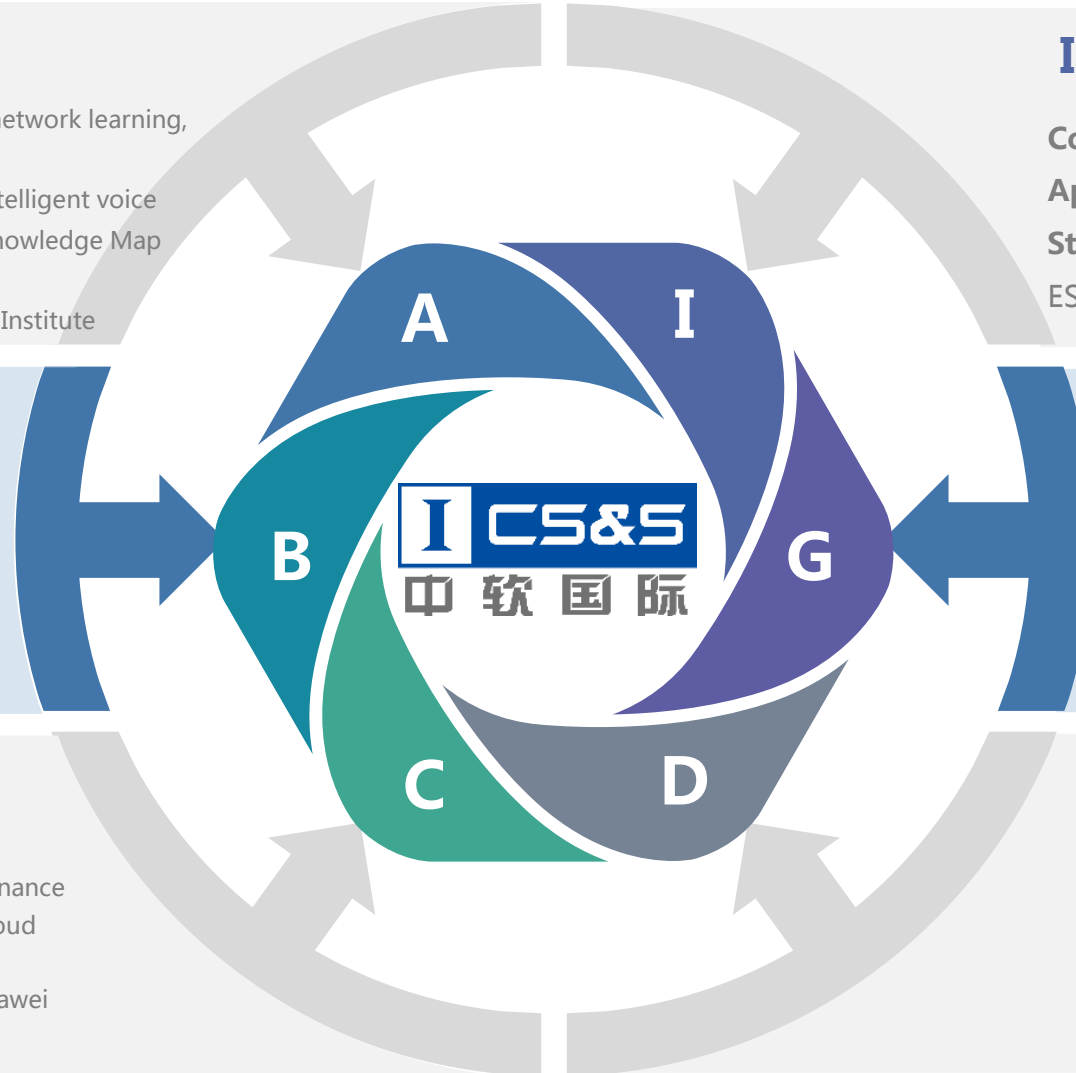
**Application** : Cooperate with telecom clients in 5G chip development, 5G base station testing, network planning, smartphone operating system development and testing, etc.  
**Strategic Cooperation** : Telecom equipment supplier & operator

## Cloud

**Core Tech** : Cloud backup、DevOps、EI Apps、customized platform development, cloud maintenance  
**Application** : JF cloud disk、CloudEasy、BES Cloud Apps development  
**Strategic Cooperation** : Best MSP partner of Huawei cloud

## Big Data

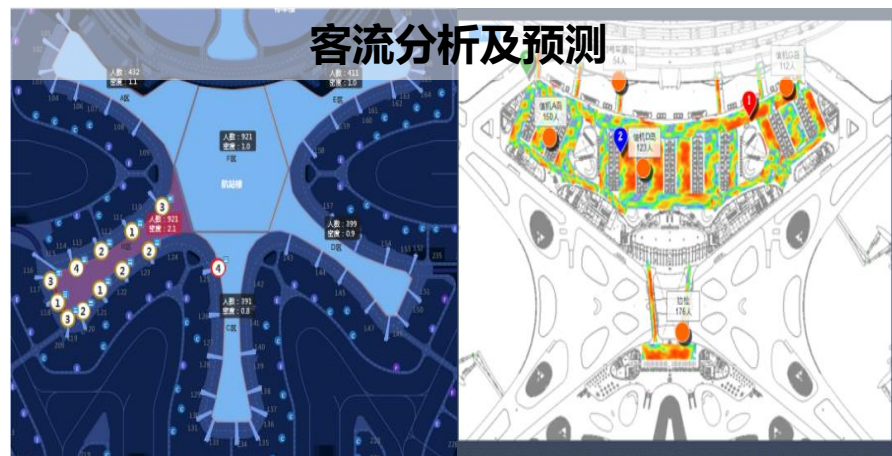
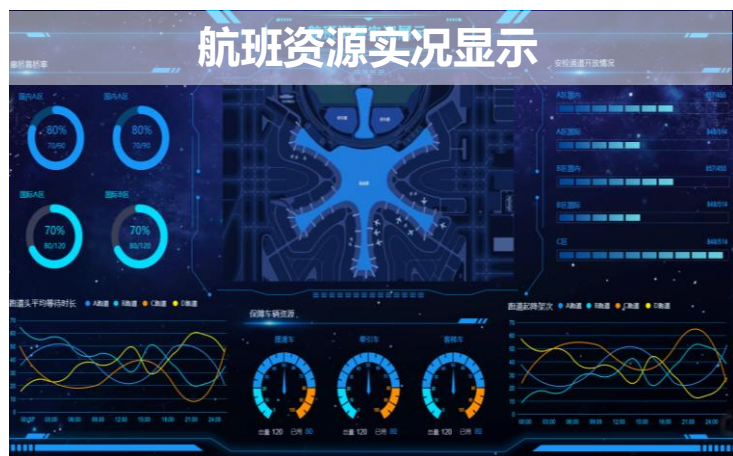
**Application** : Big data platform, data governance, enterprise risk management, enterprise digital due diligence based on enterprise big data  
**Strategic Cooperation** : Huawei、BATJ、Guizhou government



# Case1: Beijing Daxing International Airport Intelligent Data Center

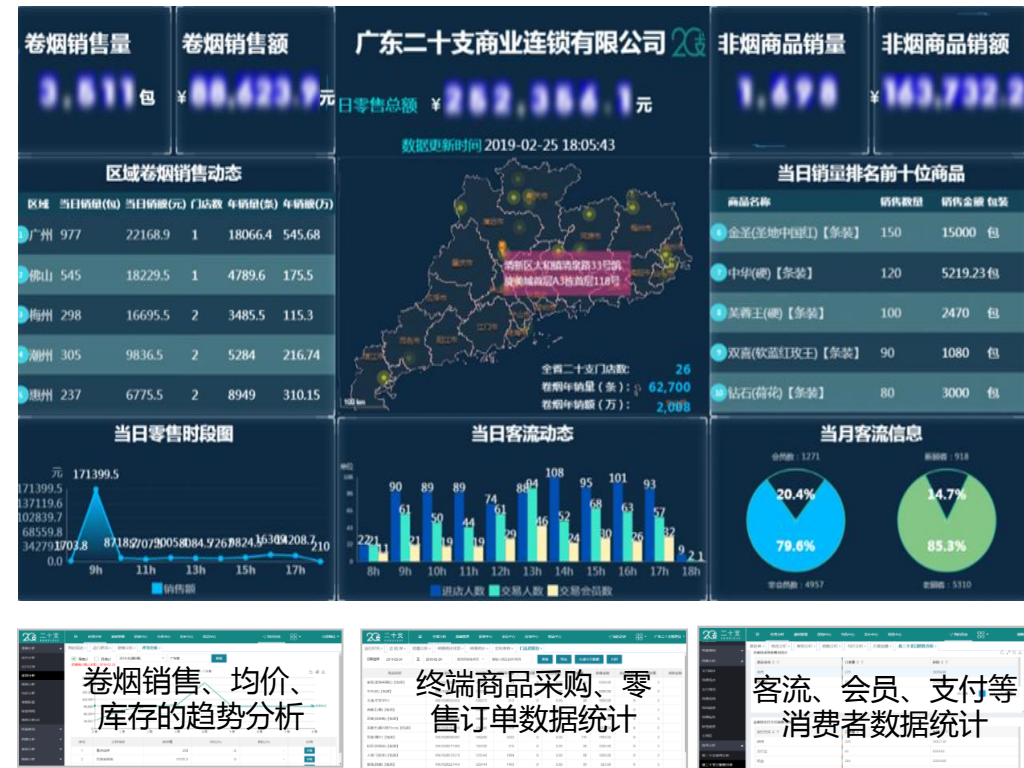


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# Case2: Smart retail



进店

逛店

体验

选购

支付

## 人脸会员系统

通过人脸识别技术，自动捕捉进店人脸，生成唯一编码，形成消费者档案

## 客流统计/轨迹

通过摄像头+人脸识别，结合消费者的特征信息、历史消费信息驱动广告控制系统进行精准广告推送

## 智能货架

通过二维码，将品吸机、咖啡机等提升购物体验的设备融入到购物环境中

## 智能导购

通过电子价签和导购屏，实现手机端快速下单、支付

## 人脸支付

提供现金、电子结算、二维码扫码、刷脸支付等多样化的支付手段



# Agenda

- 1. Company Overview**
- 2. Financial Results**
- 3. Business Transformation and Outlooks**
- 4. Investment Highlights**



## Leading IT service provider in China with high growth speed and low PE

✓ Software and IT industry maintained high growths with good prospective

✓ Comprehensive IT service capability, in-depth industry experience and broad blue chip customer base

✓ Strategic cooperation partnership with Huawei, Microsoft, HSBC, Alibaba, Tencent etc.

✓ Actively implementing digital transformation in new businesses like cloud, big data and Jointforce

**Becoming world leading IT service company with tremendous potential and innovation capability**

谢谢

Thanks

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