中软国际

CHINASOFT INTERNATIONAL LIMITED

中軟國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 354)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

The board (the "Board") of directors (the "Directors") of Chinasoft International Limited ("Chinasoft" or the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013, together with the comparative audited consolidated figures for the year ended 31 December 2012 are as follows:

Financial highlights for the year ended 31 December 2013

– Turnover was RMB3,205,985,000 with 15.8% growth as compared to 2012 (2012: RMB2,768,171,000).

– Service revenue was RMB3,067,927,000 with growth of 20.2% as compared to 2012 (2012: RMB2,551,395,000).

– Gross profit was RMB1,005,186,000 with growth of 9.8% as compared to 2012 (2012: RMB915,341,000).

– Profit for the year was RMB200,028,000 with 33.2% growth as compared to 2012 (2012:RMB150,142,000).

– Profit attributable to equity holders of the Group during the period was RMB148,301,000 with 11.3% growth as compared to 2012 (2012: RMB133,189,000).

* *There was a major change with the Group in relation to the joint venture between the Group and Huawei Group. With the completion of consolidation and transition in 2013, the joint venture began its normal business operation. According to its 40% stake of shareholding, Huawei has started to receive its share of the joint venture's profits. If this change was excluded, the profit attributable to equity holders of the Group for the period under review would be RMB187,917,000 (2012: RMB133,189,000), representing a growth of 41.1% year-on-year.*

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2013.
- In order to ascertain the right to attend the forthcoming annual general meeting, the Register of Member will be closed from Wednesday, 14 May 2014 to Monday 19 May 2014, both dates inclusive, during which period no share transfer shall be registered.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	2013 RMB'000	2012 RMB'000
Turnover	3	**3,205,985**	2,768,171
Cost of sales and services		**(2,200,799)**	(1,852,830)
Gross profit		**1,005,186**	915,341
Other income, gains and losses		**61,836**	55,235
Selling and distribution costs		**(175,369)**	(160,692)
Administrative expenses		**(512,223)**	(454,761)
Research and development costs expensed		**(52,156)**	(57,055)
Allowance for doubtful debts		**(24,613)**	(15,807)
Amortisation of intangible assets and prepaid lease payments		**(49,803)**	(42,967)
Impairment loss recognised in respect of goodwill		**–**	(28,054)
Finance costs	4	**(47,296)**	(31,111)
Share of results of associates		**(1,138)**	2,030
Gain on disposal of associates		**494**	–
Gain arising from changes in fair value of contingent consideration payable on acquisition of a business		**–**	5,557
Profit before taxation		**204,918**	187,716
Income tax expense	5	**(4,890)**	(37,574)
Profit for the year	6	**200,028**	150,142
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
– exchange differences arising on translation of foreign operations		**(7,839)**	(555)
– fair value gain on hedging instruments in cash flow hedge		**649**	–
Other comprehensive expense for the year, net of tax		**(7,190)**	(555)
Total comprehensive income for the year		**192,838**	149,587
Profit for the year attributable to:			
Owners of the Company		**148,301**	133,189
Non-controlling interests		**51,727**	16,953
		200,028	150,142
Total comprehensive income attributable to:			
Owners of the Company		**141,116**	132,638
Non-controlling interests		**51,722**	16,949
		192,838	149,587
Earnings per share	8		
Basic		**RMB0.0837**	RMB0.0799
Diluted		**RMB0.0824**	RMB0.0774

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2013

	NOTES	**2013** **RMB'000**	2012 RMB'000
Non-current assets			
Property, plant and equipment		**174,186**	132,853
Intangible assets		**280,649**	159,330
Goodwill		**936,988**	629,075
Interests in associates		**13,519**	27,616
Available-for-sale investment		**25,000**	25,000
Prepaid lease payments		**41,482**	42,477
Deposits paid for investment in an associate		**14,850**	–
Derivative financial instruments		**649**	–
Deferred tax assets		**10,389**	10,515
		1,497,712	1,026,866
Current assets			
Inventories		**19,883**	23,989
Trade and other receivables	9	**1,146,646**	1,039,396
Prepaid lease payments		**1,009**	1,038
Amounts due from associates		**–**	10,182
Amounts due from customers for contract work	10	**1,060,869**	561,359
Amounts due from related companies		**814**	205
Pledged deposits		**5,201**	4,468
Bank balances and cash		**940,823**	774,847
		3,175,245	2,415,484
Current liabilities			
Amounts due to customers for contract work	10	**217,410**	110,506
Trade and other payables	11	**741,528**	668,918
Bills payable		**3,387**	7,071
Amounts due to related companies		**9,196**	9,196
Dividend payable		**73**	75
Taxation payable		**28,303**	39,312
Borrowings	12	**471,328**	309,300
Convertible loan notes		**–**	199,087
		1,471,225	1,343,465
Net current assets		**1,704,020**	1,072,019
Total assets less current liabilities		**3,201,732**	2,098,885

	NOTES	2013 RMB'000	2012 RMB'000
Non-current liabilities			
Deferred tax liabilities		**17,589**	17,602
Consideration payable on acquisition of a subsidiary		**35,636**	–
Convertible loan notes		**189,038**	–
Borrowings	12	**518,268**	19,000
		760,531	36,602
		2,441,201	2,062,283
Capital and reserves			
Share capital		**87,085**	81,804
Share premium		**1,667,181**	1,466,006
Reserves		**513,957**	379,814
Equity attributable to owners of the Company		**2,268,223**	1,927,624
Non-controlling interests		**172,978**	134,659
Total equity		**2,441,201**	2,062,283

NOTES

1. GENERAL INFORMATION OF THE COMPANY

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

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

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

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

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

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

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

Application of new and revised HKFRSs

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which have been effective.

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

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 "Fair Value Measurement"

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements; and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The Group has applied the amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income". Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HK(IFRIC) - Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.

2 Effective for annual periods beginning on or after 1 July 2014.

3 Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

Annual Improvements to HKFRSs 2010-2012 Cycle

The *Annual Improvements to HKFRSs 2010-2012 Cycle* include a number of amendments to various HKFRSs, the amendments that are relevant to the Group are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short- term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The directors do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2010-2012 Cycle* will have a material effect on the Group's consolidated financial statements.

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

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

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

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's investment in unlisted equity investment that is currently classified as available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

Amendments to HKAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The directors of the Company do not anticipate that the application of these amendments to HKAS 39 will have any effect on the Group's consolidated financial statements as the Group does not have any derivatives that are subject to novation.

HK(IFRIC) - Int 21 "Levies"

HK(IFRIC) - Int 21 "Levies" addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The directors of the Company anticipate that the application of HK(IFRIC) - Int 21 will have no effect on the Group's consolidated financial statements as the Group does not have any levy arrangements.

The directors of the Company anticipate that the application of the other new and revised HKFRSs issued but not yet effective will have no material effect on amounts reported in the consolidated financial statements and/or disclosures set out in these consolidated financial statements of the Group.

3. TURNOVER AND SEGMENT INFORMATION

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

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the category of customers for each type of goods supplied or services provided by the Group's operating divisions.

The Group had three operating divisions which represent three reportable operating segments, namely, (a) professional services business; (b) outsourcing services business and (c) training business.

The Group's operating and reportable segments are as follows:

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

Information regarding the above segments is reported below.

Segment revenues and results

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

	Segment revenue		Segment results	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Professional services business	**1,694,727**	1,452,782	**142,294**	120,502
Outsourcing services business	**1,416,895**	1,221,800	**102,780**	113,699
Training business	**94,363**	93,589	**(2,212)**	12,813
	3,205,985	2,768,171	**242,862**	247,014

Reconciliation of segment results to profit before taxation:

	2013	2012
	RMB'000	*RMB'000*
Segment results	**242,862**	247,014
Other income, gains and losses unallocated	**2,602**	767
Interest charge on convertible loan notes	**(13,773)**	(13,767)
Impairment loss recognised in respect of goodwill	**–**	(28,054)
Corporate expenses	**(21,401)**	(12,257)
Share option expenses	**(5,372)**	(11,544)
Gain arising from changes in fair value of contingent consideration payable on acquisition of a business	**–**	5,557
Profit before taxation	**204,918**	187,716

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

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

Segment results represent the profit earned by each segment without allocation of impairment loss recognised in respect of goodwill, corporate expenses, share option expenses, gain arising from changes in fair value of contingent consideration payable on acquisition of a business, interest charge on convertible loan notes and certain items of other income, gains and losses recorded at corporate level. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

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

	2013	2012
	RMB'000	*RMB'000*
Segment assets		
Professional services business	**2,362,287**	1,668,034
Outsourcing services business	**1,144,377**	953,321
Training business	**92,355**	79,971
Segment assets	**3,599,019**	2,701,326
Goodwill	**936,988**	629,075
Others	**136,950**	111,949
Consolidated assets	**4,672,957**	3,442,350
Segment liabilities		
Professional services business	**1,152,711**	879,306
Outsourcing services business	**356,910**	259,976
Training business	**37,649**	19,023
Segment liabilities	**1,547,270**	1,158,305
Convertible loan notes	**189,038**	199,087
Bank borrowings and others	**495,448**	22,675
Consolidated liabilities	**2,231,756**	1,380,067

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

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

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

Other information

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

	PSG		OSG		Training		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Additions to non-current assets, other than deferred tax assets	**119,486**	67,775	**145,922**	64,119	**7,253**	5,419	**272,661**	137,313
Interests in associates	**13,519**	23,179	**–**	4,437	**–**	–	**13,519**	27,616
Deposit paid for investment in an associate	**14,850**	–	**–**	–	**–**	–	**14,850**	–
Depreciation of property, plant and equipment	**19,614**	14,313	**30,904**	29,376	**2,044**	2,888	**52,562**	46,577
Amortisation of intangible assets and prepaid lease payments	**46,592**	37,788	**2,515**	4,816	**696**	363	**49,803**	42,967
Allowance for doubtful debts	**10,597**	15,498	**1,325**	–	**12,691**	309	**24,613**	15,807
Interest income	**(996)**	(1,777)	**(729)**	(705)	**(15)**	(11)	**(1,740)**	(2,493)
Interest on borrowings	**22,021**	10,935	**9,155**	6,164	**320**	245	**31,496**	17,344
Share of results of associates	**1,138**	(2,030)	**–**	–	**–**	–	**1,138**	(2,030)
Loss on disposal of property, plant and equipment	**174**	15	**940**	122	**–**	–	**1,114**	137

Geographical information

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

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

	Revenues from external customers		Non-current assets, other than deferred tax assets, available-for-sale investment and derivative financial instruments	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC and HK	**2,881,660**	2,455,824	**1,178,864**	989,953
USA	**272,620**	249,101	**282,637**	1,130
Japan	**51,705**	63,246	**173**	268
	3,205,985	2,768,171	**1,461,674**	991,351

Segment revenue by products and services:

	2013	2012
	RMB'000	RMB'000
Sale of software and hardware products	**138,058**	216,776
Provision of services		
Professional services	**1,556,669**	1,236,006
Outsourcing services	**1,416,895**	1,221,800
Training	**94,363**	93,589
	3,067,927	2,551,395
	3,205,985	2,768,171

Information about major customers

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

	2013	2012
	RMB'000	*RMB'000*
Customer A	**711,548**	572,517
Customer B	**N/A***	280,985

* The corresponding revenue did not contribute over 10% of the total sales of the Group.

4. FINANCE COSTS

	2013	2012
	RMB'000	*RMB'000*
Interest on borrowings wholly repayable within five years	**33,523**	17,344
Effective interest on convertible loan notes	**13,773**	13,767
	47,296	31,111

5. INCOME TAX EXPENSE

	2013	2012
	RMB'000	*RMB'000*
Tax charge comprises:		
PRC Enterprise Income Tax		
– current year	**22,842**	46,157
– over-provision in prior year	**(13,971)**	(2,047)
	8,871	44,110
The US Federal and State Income taxes	**144**	6
Japan Corporate Income Tax	**–**	901
Hong Kong Profits Tax	**(51)**	168
	8,964	45,185
Deferred tax	**(4,074)**	(7,611)
	4,890	37,574

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

Pursuant to a certificate issued by Beijing Municipal Science and Technology Commission dated 28 October 2011, Chinasoft International Information Technology Limited ("Chinasoft Beijing") had been designated as a High and New Technology Enterprise ("HNTE") for a period up to 28 October 2014 and its income tax rate was reduced from 25% to 15% for the year ended 31 December 2012. In addition, Chinasoft Beijing was recognised as a Key Software Enterprise ("KSE") under the State Plan in 2013 and 2014 by National Development Reform Commission in December 2013. Accordingly, Chinasoft Beijing was entitled to a reduced income tax rate of 10% as compared to the unified tax rate of 25% for the year ended 31 December 2013.

Pursuant to a certificate issued by Beijing Municipal Science and Technology Commission dated 28 October 2011, Chinasoft Resources Information Technology Services Limited ("Chinasoft Resources Beijing") had been designated as a HNTE till the end of 2014. As a result, Chinasoft Resources Beijing is subject to the income tax rate of 15% for both years.

Pursuant to a certificate issued by Shanghai Municipal Science and Technology Commission dated 28 September 2010, Shanghai Chinasoft Resources Information Technology Servcies Limited ("Chinasoft Resources Shanghai") had been designated as a HNTE for a period up to 27 September 2013. As at 31 December 2013, Chinasoft Resources Shanghai is in the process of applying for the extension of HNTE qualification.

Pursuant to a certificate issued by Shanghai Municipal Science and Technology Commission dated 20 October 2011, Shanghai Huateng Software Systems Co., Ltd. ("Shanghai Huateng") had been designated as a HNTE for a period up to 20 October 2014. As a result, Shanghai Huateng is subject to the income tax rate of 15% for the year ended 31 December 2012. In addition, Shanghai Huateng was recognised as a KSE under the State Plan in 2013 and 2014 by National Development Reform Commission in December 2013. Accordingly, Shanghai Huateng was entitled to the reduced income tax rate of 10% as compared to the unified tax rate of 25% for the year ended 31 December 2013.

Pursuant to a certificate issued by the Industry and Information Technology Department of Shaanxi Province dated 25 December 2012, Chinasoft International Technology Services Limited ("CSITS") had been designated as a software enterprise for a period up to 25 December 2017. As such, CSITS was entitled to the two years' exemption from income tax followed by three years of 50% tax reduction with effect from 2012. As a result, CSITS is exempted from income tax for both years.

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

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

	2013	2012
	RMB'000	*RMB'000*
Profit before taxation	**204,918**	187,716
Tax at PRC Enterprise Income Tax rate of 25% (2012: 25%)	**51,230**	46,929
Tax effect of share of results of associates	**285**	(508)
Tax effect attributable to tax exemptions and concessions granted to PRC subsidiaries	**(55,891)**	(30,236)
Tax effect of expenses not deductible for tax purpose	**24,322**	22,580
Tax effect of income not taxable for tax purpose	**(15,433)**	(15,777)
Tax refunded as a result of tax concession or privilege granted to the Company subsequently	**(13,971)**	(2,047)
Tax effect of utilisation of tax losses previously not recognised	**(1,182)**	(2,347)
Tax effect of tax losses not recognised	**15,555**	17,542
Effect of different tax rates of subsidiaries	**(25)**	1,438
Income tax expense for the year	**4,890**	37,574

6. PROFIT FOR THE YEAR

	2013	2012
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Directors' remuneration	**3,511**	4,470
Other staff costs	**1,895,163**	1,546,251
Retirement benefits costs (excluding those for directors)	**166,535**	158,276
Share option expenses	**5,372**	11,544
Total staff costs	**2,070,581**	1,720,541
Less: Staff costs capitalised as development costs	**(59,442)**	(22,494)
	2,011,139	1,698,047
Research and development costs expensed	**62,984**	64,609
Less: Government grants	**(10,828)**	(7,554)
	52,156	57,055
Depreciation of property, plant and equipment	**52,562**	46,577
Amortisation of intangible assets	**49,650**	42,812
Amortisation of prepaid lease payments charged to profit and loss	**153**	155
	102,365	89,544
Auditor's remuneration	**5,580**	4,300
Cost of inventories recognised as an expense	**112,956**	176,668
Loss on disposal of property, plant and equipment	**1,114**	137
Minimum lease payments in respect of buildings	**127,888**	91,495
Net foreign exchange loss	**1,860**	72
And after crediting:		
Interest income from pledged deposits and bank balances	**1,958**	3,326
Government grants	**56,910**	48,524
Tax incentive subsidies	**2,955**	4,562

7. DIVIDEND

No dividend was paid or proposed during 2012 and 2013, nor has any dividend been proposed since the end of the reporting period.

8. EARNINGS PER SHARE

	2013	2012
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic and dilutive earnings per share (Profit for the year attributable to owners of the Company)	**148,301**	133,189

Number of shares

	2013	2012
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,771,895**	1,667,556
Effect of dilutive potential ordinary shares:		
Share options	**27,116**	53,812
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,799,011**	1,721,368

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

9. TRADE AND OTHER RECEIVABLES

	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**592,872**	589,501
Less: Allowance for doubtful debts	**(118,599)**	(95,114)
	474,273	494,387
Trade receivables from related companies (Note)	**339,820**	335,422
	814,093	829,809
Advances to suppliers	**157,334**	91,114
Deposits, prepayments and other receivables	**175,219**	118,473
	1,146,646	1,039,396

Note: The balances principally arose from provision of services by the Group to certain related companies. The balances included an amount of RMB335,292,000 (2012: RMB334,791,000) due from the group of Huawei and its subsidiaries ("Huawei Group") which became a related party following the establishment of CSITS in April 2012.

The credit terms of the Group range from 30 to 180 days. An aged analysis of trade receivables (net of allowance for doubtful debts), presented based on the invoice date at the end of the reporting period is as follows:

	2013	2012
	RMB'000	*RMB'000*
Within 90 days	**505,616**	601,133
Between 91 - 180 days	**164,053**	116,221
Between 181 - 365 days	**74,929**	54,822
Between 1 - 2 years	**69,196**	56,828
Over 2 years	**299**	805
	814,093	829,809

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by each customer. Limits attributed to customers are reviewed each time. 56% (2012: 67%) of the trade receivables that are neither past due nor impaired have the best credit quality assessed by the Group.

Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of RMB293,314,000 (2012: RMB210,169,000) which are past due at the reporting date for which the Group has not provided for an impairment loss as the Group is satisfied with the subsequent settlement and the credit quality of these customers had not been deteriorated. Accordingly, the Group does not consider these balances impaired. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	2013	2012
	RMB'000	*RMB'000*
Within 90 days	**8,638**	2,038
Between 91 - 180 days	**142,154**	95,676
Between 181 - 365 days	**73,027**	54,822
Between 1 - 2 years	**69,196**	56,828
Over 2 years	**299**	805
Total	**293,314**	210,169

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

Movement in the allowance for doubtful debts

	2013	2012
	RMB'000	*RMB'000*
Balance at beginning of the year	**95,114**	79,307
Impairment losses recognised on receivables	**35,506**	15,807
Amounts recovered during the year	**(10,893)**	–
Amounts written off as uncollectible	**(1,000)**	–
Exchange difference	**(128)**	–
Balance at end of the year	**118,599**	95,114

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

	2013	2012
	RMB'000	*RMB'000*
Contracts in progress at the end of the reporting period		
Contract costs incurred plus recognised profits less recognised losses	**2,529,705**	1,840,047
Less: Progress billings	**(1,686,246)**	(1,389,194)
	843,459	450,853
Analysed for reporting purposes as:		
Amounts due from contract customers for contract work	**1,060,869**	561,359
Amounts due to contract customers for contract work	**(217,410)**	(110,506)
	843,459	450,853

At 31 December 2013, retentions held by customers for contract work amounted to RMB8,488,000 (2012: RMB7,378,000). There are no advances received from customers for contract work at the end of 2013 and 2012.

11. TRADE AND OTHER PAYABLES

	2013	2012
	RMB'000	RMB'000
Trade payables	**377,471**	342,149
Trade payables to related companies (Note)	**–**	2,996
	377,471	345,145
Deposits received from customers	**65,571**	50,960
Other payables and accrued charges	**298,486**	272,813
	741,528	668,918

Note: The balance in 2012 arose from provision of service by Shanghai Huateng Intelligent System Co., Ltd. ("Huateng Intelligent") to the Group. Huateng Intelligent is a former associate and has been disposed of by the Group during 2013.

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

	2013	2012
	RMB'000	*RMB'000*
Within 90 days	**182,056**	143,443
Between 91 - 180 days	**36,900**	36,729
Between 181 - 365 days	**106,461**	49,998
Between 1 - 2 years	**34,282**	89,102
Over 2 years	**17,772**	25,873
	377,471	345,145

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

12. BORROWINGS

	2013	2012
	RMB'000	RMB'000
Unsecured bank loans *(Note (i))*	**975,216**	328,300
Secured bank loans *(Note (ii))*	**14,380**	–
	989,596	328,300

	2013	2012
	RMB'000	RMB'000
Carrying amount repayable:		
Within one year	**471,328**	309,300
More than one year, but not exceeding two years	**198,180**	19,000
More than two years, but not exceeding five years	**320,088**	–
	989,596	328,300
Less: Amounts due within one year shown under current liabilities	**(471,328)**	(309,300)
Amounts shown under non-current liabilities	**518,268**	19,000

	2013	2012
	RMB'000	RMB'000
Total borrowings		
At fixed interest rates	**264,479**	84,000
At floating interest rates *(Note (iii))*	**725,117**	244,300
	989,596	328,300

	2013	2012
	RMB'000	RMB'000
Analysis of borrowings by currency		
Denominated in RMB	**529,280**	328,300
Denominated in USD	**460,316**	–

Notes:

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

(ii) As at 31 December 2013, the Group has pledged certain trade receivables with a net carrying value of approximately RMB14,380,000 (2012: nil) to secure banking loans granted to the Group.

(iii) Interests on RMB borrowings are charged at interest rates announced by the People's Bank of China. The average interest rate during the year is 6.30% (2012: 6.46%) per annum. Interest on USD borrowings are charged at LIBOR plus 2.95% during the year.

At 31 December 2013, the cash flow interest rate risk of the Group's borrowings of RMB457,268,000 (2012: nil) was hedged using interest rate swaps (floating to fixed interest swaps).

Borrowings comprise:

	Maturity date	**Significant covenant**	**Effective interest rate**	**Carrying amount**	
				2013	2012
				RMB'000	*RMB'000*
Floating-rate borrowings: Unsecured USD bank loans of RMB457,268,000 at LIBOR+2.95% *(Note)*	8 November 2016	The Company need to comply with certain financial ratios as per required by the facility	3.19%	457,268	–

Note RMB137,180,000 and RMB320,088,000 are repayable in 2015 and 2016, respectively.

MANAGEMENT DISCUSSION AND ANALYSES

The following are some of the major events that impacted the Group's operation and development in 2013:

1. **Stay determined in its transformation to suit the rapidly changing IT service market**

   In 2013, the Group management saw clearly that the IT service market is changing at a rapid pace. The impact of next generation technology in social, mobile, advanced analytics and cloud (SMAC) are starting to disrupt the traditional IT services landscape. Management feels that, on one hand, new SMAC based technology enables software services to be delivered quickly and cheaply via mobile networks and over the internet (via the Software as a Service, or SaaS model), drastically reducing the overall cost of software development. On the other hand, emerging mobile and social usage as well as the use of cloud calculation creates a new set of demands for new software that is needed to first manage the vast data traffic, and then analyze them through Big-Data analytical tools.

   Faced with the pressure of increased labor cost, the Group realized that it must transform its business model with cloud platform, cloud based applications, and big data analytics, ultimately changing the traditional IT business model to adapt to the changes in IT service market. The Group believes that through its perseverance, it will overcome the challenge and successfully transform itself.

2. **Research and development of "Joint Force", a cloud-based crowd sourcing platform**

   China's vast yet fragmented IT services market and a large quantity of underused software engineers, are all common pain points and challenges that the IT industry face today. Customers are constantly looking for better quality services; software engineers are constantly looking to showcase their skills and earn more; and IT service businesses are constantly looking for better ways to lower labor costs and improve productivity. In 2013, based on the Group's SMAC capabilities and organizational philosophy, combined with the above industry pain points, the Group introduced "JointForce" – a cloud based crowd-sourcing platform. "JointForce" will become an efficiency platform for the IT service businesses, a new working platform for software engineers, and a service-providing platform for customers.

   Using "Joint Force", the Group can post real time tasks onto the platform, and allow engineers, either from within or outside the Group, to choose what they want and be paid upon the completion of the tasks.

   To examine the complete functionality of the "Joint Force" platform, the Group performed both online and offline delivery tests to test the actual functionality of the platform during the reporting period. This investment in testing and the platform development represented additional expenses during the period.

However, the Group firmly believes that it was imperative to introduce the "JointForce" platform. On one hand, this platform can effectively increase the Group's operation efficiency by cutting out the time to find the right engineers for the tasks, evident in the traditional management model. On the other hand, from the engineer's perspective, an opportunity to showcase their expertise and the monetary incentive will make them more eager to work and thus increase their work efficiency. In addition, other IT service companies can use this platform to allocate and manage different tasks. For this reason, the Group believes that the introduction of "JointForce" will not only generate additional revenue for the Group, but also gradually change the entire IT service industry.

3. Expand to Oversea Markets

The Group acquired Catapult, an American SMAC service provider, to obtain novel oversea SMAC technologies and gain entrance to new markets. Catapult's expertise covers the entire chain of Microsoft technologies, showing competitive advantages especially in the next generation cloud computing, office 365's service capabilities, and Azure's public cloud base infrastructure as a service. Catapult has the best Microsoft system integration team, and is an important partner of Microsoft. This will allow the Group to strengthen its strategic partnership with Microsoft and expect more businesses with Microsoft in the coming years.

The partnership with Catapult increases the Group's SMAC capabilities and business scale. It will allow the Group to carry out upstream sales, explore global customers, and bid for bigger and long-term service projects. The Group strives to become a global IT service provider with the ability to respond to the international demand for "end-to-end" IT consulting services, and fully satisfy the customers' need for IT solutions.

4. Substantial growth in Huawei's Outsourcing Business with increased profitability

The joint venture between the Group and Huawei achieved critical success in respect to business delivery and overall strategy; Huawei is fully confident in the Group. In 2013, the joint venture became Huawei's biggest and highest quality outsourcing provider; there are good synergy from business integration and management, resulting in increase in profitability. As the joint venture's business operation stabilizes, the shareholders from both sides have made good returns. Huawei achieved success with this strategic layout, and received stable investment return in 2013. The Group helped connect the business strategy and quality control of its biggest strategic client. In addition, the Group, on the basis of increasing its own software management standards, will help Huawei build a solid foundation to expand its software service business into the telecommunication market as well as the global service market.

The Group believes that in 2014, the joint venture will achieve an even higher increase of outsourcing business and profitability with Huawei.

5. Impact of the Japanese Yen exchange rate

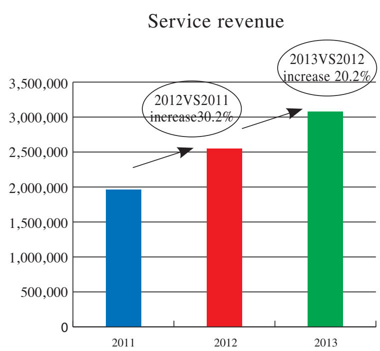
Due to the decreasing value of Japanese Yen in 2013, the revenue and profit from the Group's Japanese businesses have decreased. The Group is in negotiation with the customers in respect to unit price adjustment and is actively conducting analysis and research on potentially hedging the Japanese Yen. It is expected that in 2014 as the exchange rate for the Japanese Yen becomes more stable, the revenue and profit from the Group's business will steadily rebound.

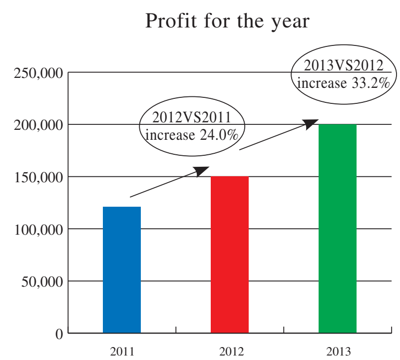
In 2013, the Group's businesses maintained their stable growth, with year-on-year increase of revenue of 15.8%, year-on-year increase of service revenue of 20.2%, and year-on-year profit growth of 33.2%.

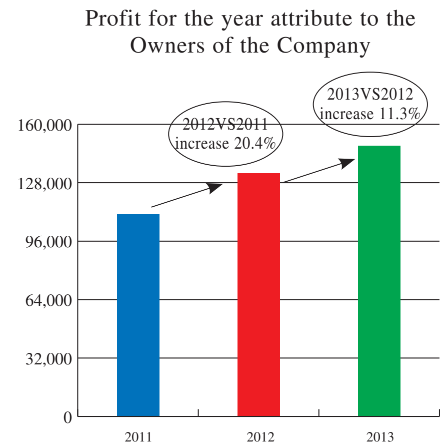
	2013	2012	Growth rate
	RMB'000	*RMB'000*	
Revenue	**3,205,985**	2,768,171	15.8%
Service revenue	**3,067,927**	2,551,395	20.2%
Profit of the year	**200,028**	150,142	33.2%
Profit for the year attributable to the owners of the company	**148,301**	133,189	11.3%

The marginally lower growth in overall revenue than service revenue reflected the further decrease in revenue from sales of hardware year-on-year, the percentage of which to overall revenue was only 4.3% during this reporting period, as compared with 7.8% in the same period last year.

The growth in key operating data of the Group from 2011 to late 2013 is set out as follows:







KEY OPERATING DATA

	2013	2012	% Increase (over the same period last year)
	RMB'000	*RMB'000*	
Revenue	**3,205,985**	2,768,171	15.8%
Service revenue	**3,067,927**	2,551,395	20.2%
Cost of sales	**(2,200,799)**	(1,852,830)	18.8%
Gross profit	**1,005,186**	915,341	9.8%
Other income, gains and losses	**61,836**	55,235	12.0%
Selling and distribution costs	**(175,369)**	(160,692)	9.1%
Administrative expenses	**(512,223)**	(454,761)	12.6%
Research and development cost expensed	**(52,156)**	(57,055)	(8.6%)
Allowance for doubtful debts	**(24,613)**	(15,807)	55.7%
Amortisation of intangible assets and prepaid lease payments	**(49,803)**	(42,967)	15.9%
Gain arising from changes in fair value of contingent consideration on acquisition of business	**–**	5,557	(100%)
Impairment loss recognized in respect of goodwill	**–**	(28,054)	(100%)
Finance costs	**(47,296)**	(31,111)	52.0%
Share of results of associates	**(1,138)**	2,030	(156.1%)
Gain on disposal of associates	**494**	–	N/A
Profit before taxation	**204,918**	187,716	9.2%
Taxation	**(4,890)**	(37,574)	(87.0%)
Profit for the year	**200,028**	150,142	33.2%
+Taxation	**4,890**	37,574	(87.0%)
+Finance costs	**47,296**	31,111	52.0%
+Depreciation of property, plant and equipment	**52,562**	46,577	12.8%
–Gain arising from changes in fair value of contingent consideration on acquisition of business	**–**	5,557	(100.0%)
+ Impairment loss recognized in respect of goodwill	**–**	28,054	(100.0%)
+Amortisation of intangible assets and prepaid lease payments	**49,803**	42,967	15.9%
–Share of results of associates	**(1,138)**	2,030	(156.1%)
–Gain on disposal of associates	**494**	–	N/A
EBITDA	**355,223**	328,838	8.0%
+Share option expenses	**5,372**	11,544	(53.5%)
+Foreign exchange loss	**1,860**	72	2,483.3%
+Allowance for doubtful debts	**24,613**	15,807	55.7%
Business contribution profit	**387,068**	356,261	8.6%

GENERAL OVERVIEW

In 2013, the growth in revenue, service revenue and results by business lines of the Group is set out as follows:

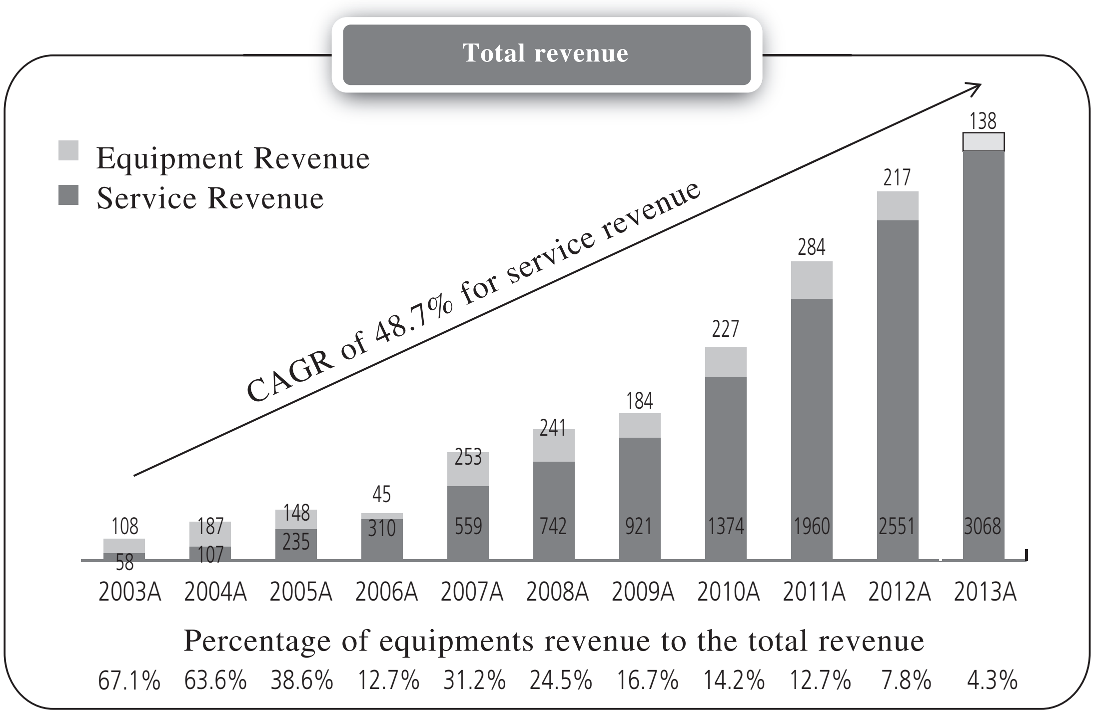
	Revenue			Service revenue			Results		
	2013	2012	Growth	**2013**	2012	Growth	**2013**	2012	Growth
	RMB'000	*RMB'000*	rate	***RMB'000***	*RMB'000*	rate	***RMB'000***	*RMB'000*	rate
Professional Services Business (PSG)	**1,694,727**	1,452,782	16.7%	**1,556,669**	1,236,006	25.9%	**142,294**	120,502	18.1%
Outsourcing Services Business (OSG)	**1,416,895**	1,221,800	16.0%	**1,416,895**	1,221,800	16.0%	**102,780**	113,699	(9.6%)
Training Business	**94,363**	93,589	0.8%	**94,363**	93,589	0.8%	**(2,212)**	12,813	(117.3%)
Total	**3,205,985**	2,768,171	15.8%	**3,067,927**	2,551,395	20.2%	**242,862**	247,014	(1.7%)

For the service revenue segments, service revenue of Professional Service Business and Outsourcing Services Business increased by 25.9% and 16.0% respectively. Service revenuce of Training Business remained stable. For Professional Service business, solid growths were recorded in circulation and manufacturing business, finance and banking business, as well as in electricity business, providing remarkable contributions to the overall Professional Service Business; For Outsourcing Service Business, Huawei business and Great China Business sustained their higher growth rates as compared to last year, and have become a major contributing force for the growth of Outsourcing Service Business.

Segment Results

For segment results, the Professional Services Business recorded a year-on-year increase of 18.1%. The Professional Services Business maintained its growth despite facing increased in labor cost and additional cost for research, development and testing for "Joint Force." The Outsourcing Services Business recorded a year-on-year decrease of 9.6%, mainly due to the decreasing value of Japanese Yen and USD. If the effect from currency exchange were eliminated, the Outsourcing Services Business would result in a year-on-year increase of 20%. The Training Business recoveded a loss in the reporting period because it made a one time cost adjustment to match the Group's business transformation for its new strategy. The Group expects the Training Business to return to normal and continue to grow in results and profit in 2014.

Since the listing on the Growth Enterprise Market in 2003, the Group's revenue and service revenue have maintained rapid growth, recording a CAGR of 34.5% and 48.7% over the years from 2003 to 2013 respectively. The details are set out as follows:



CUSTOMER

The Group's customers include large enterprises headquartered in Greater China, Europe, the US and Japan. It has a relatively large market share in the fast-growing Chinese market, particularly in the mainstream industries such as the government and manufacturing industry, financial services and banking industry, telecom industry and high-tech industry. In 2013, service revenue from the top five customers accounted for 41.1% of the Group's total service revenue while those from the top ten customers accounted for 46.3%. With the Group's continuous development of new customers and intensive tapping of existing customers in the vertical industries, it is expected that the proportion of service revenue from the top ten customers to the Group's total service revenue will further decline.

In 2013, there were 1,415 active customers, of which 706 customers are new customers. Of the new customers, some are from the Group's acquisition of Catapult Company in November 2013. Catapult Company has extensive customer base, and the Group believe that Catapult will bring more business opportunities for the Group's future expansion in the foreign market. In 2013, the Group has 61 large customers who contributed to more than RMB6 million of service revenue. The new large customers included a large Chinese Internet Company, a global electrical appliance producer, and a large scale gold mining conglomerate.

MARKET

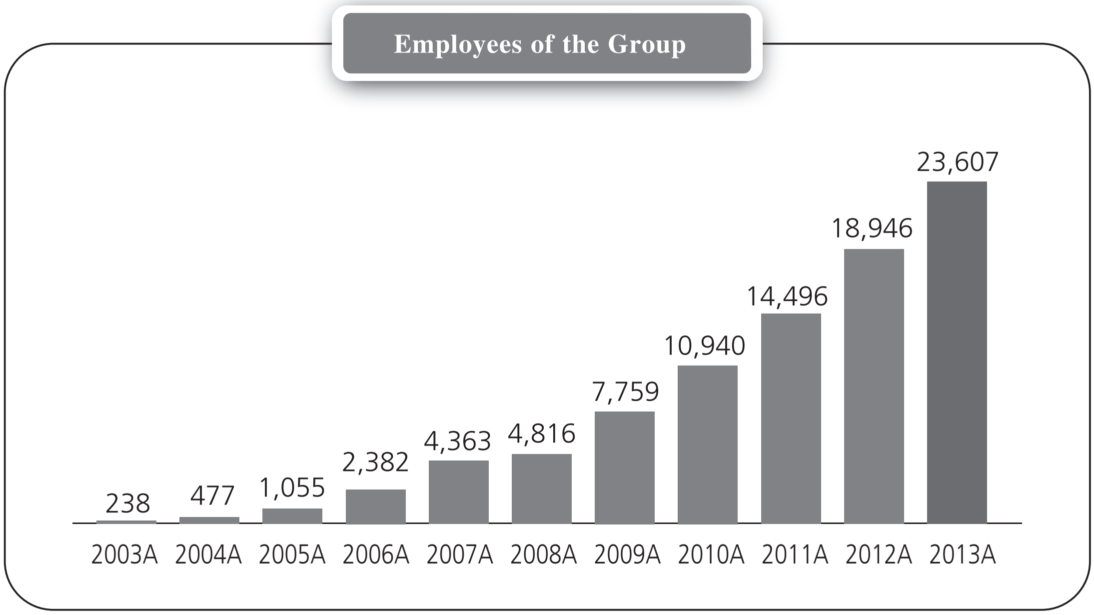
The Group operated its businesses mainly in Greater China. In 2013, the Group continued to set Greater China market as an important area for development. China's strong economic growth and the immense market potentials embedded in the region give rise to long-term growth opportunities for the Group. In addition, several of the Group's large multinational corporate customers also intended to set China as the most crucial part of their global layout, which was a clear indication of their confidence in the Chinese economy and a rare business development opportunity for the Group.

Human Resources

As of the end of 2013, the Group had altogether 23,607 employees, representing an increase of 24.6% over 18,946 employees as of the end of 2012, of which 21,952 employees were technicians accounting for 93.0% of the Group's total number of employees, and 2,722 employees were project managers and key consulting staff accounting for 12.4% of the Group's total number of technical employees.

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

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



EARNINGS CAPABILITY

In 2013, the Group's EBITDA was RMB355,223,000 (2012: RMB328,838,000), representing a growth of 8.0% over the same period of previous year. EBITDA ratio was 11.1% in 2013 (2012: 11.9%), representing a year-on-year decrease of 0.8% (EBITDA ratio was 11.6% if measured on the basis of service revenue (2012: 12.9%), representing a decrease of 1.3% over the same period of the previous year). Set out below is the breakdown for the reconciliation of the profit for the year to EBITDA:

	2013	2012	Growth rate
	RMB'000	*RMB'000*	
Profit (Loss) for the year	**200,028**	150,142	33.2%
+Taxation	**4,890**	37,574	(87.0%)
+Finance costs	**47,296**	31,111	52.0%
+Depreciation of property, plant and equipment	**52,562**	46,577	12.8%
–Gain arising from changes in fair value of contingent consideration on acquisition of business	**–**	5,557	(100%)
+Impairment loss recognized in respect of goodwill	**–**	28,054	(100%)
+Amortisation of intangible assets and prepaid lease payments	**49,803**	42,967	15.9%
–Share of results of associates	**(1,138)**	2,030	(156.1%)
–Gain on disposal of associates	**494**	–	N/A
EBITDA	**355,223**	328,838	8.0%

In order to assist shareholders and investors in comparing the Group's business trends during different reporting periods and in understanding more clearly the Group's ongoing business achievements and to facilitate the comparison of the Group's business achievements with other similar companies, it has excluded the impacts of the profit and loss items of non-business and non-cash nature in the EBITDA (i.e. share option expenses, net foreign exchange (gain) loss and allowance for doubtful debts) in its calculation of the business contribution profit for 2013. Set out below is the breakdown for the reconciliation of EBITDA to business contribution profit:

	2013	2012	Growth rate
	RMB'000	*RMB'000*	
EBITDA	**355,223**	328,838	8.0%
+ Share option expenses	**5,372**	11,544	(53.5%)
+ Net foreign exchange loss	**1,860**	72	2,483.3%
+ Allowance for doubtful debts	**24,613**	15,807	55.7%
Business contribution profit	**387,068**	356,261	8.6%

In 2013, the Group's business contribution profit was RMB387,068,000 (2012: RMB356,261,000), representing a year-on-year growth of 8.6%. In 2013, the business contribution profit margin was 12.1% (2012: 12.9%), representing a decrease of 0.8% over the same period of the previous year (the business contribution profit margin was 12.7% (2012: 14.0%) if measured on the basis of service revenue, representing a decrease of 1.3% over the same period of the previous year).

OPERATING RESULTS

The following table sets out the Group's consolidated statement of comprehensive income for 2013 and 2012:

	2013 *RMB'000*	**Percentage of revenue**	**Percentage of service revenue**	2012 *RMB'000*	Percentage of revenue	Percentage of service revenue
Revenue	**3,205,985**			2,768,171		
Service Revenue	**3,067,927**			2,551,395		
Cost of sales	**(2,200,799)**	**(68.6%)**		(1,852,830)	(66.9%)	
Gross profit	**1,005,186**	**31.4%**	**32.8%**	915,341	33.1%	35.9%
Other income, gains and losses	**61,836**	**1.9%**	**2.0%**	55,235	2.0%	2.2%
Selling and distribution costs	**(175,369)**	**(5.5%)**	**(5.7%)**	(160,692)	(5.8%)	(6.3%)
Administrative expenses	**(512,223)**	**(16.0%)**	**(16.7%)**	(454,761)	(16.4%)	(17.8%)
Research and development cost expensed	**(52,156)**	**(1.6%)**	**(1.7%)**	(57,055)	(2.1%)	(2.2%)
Provision for doubtful debts	**(24,613)**	**(0.8%)**	**(0.8%)**	(15,807)	(0.6%)	(0.6%)
Amortisation of intangible assets and prepaid lease payments	**(49,803)**	**(1.6%)**	**(1.6%)**	(42,967)	(1.6%)	(1.7%)
Gain arising from changes in fair value of contingent consideration on acquisition of business	**–**	**0.0%**	**0.0%**	5,557	0.2%	0.2%
Impairment loss recognized in respect of goodwill	**–**	**0.0%**	**0.0%**	(28,054)	(1.0%)	(1.1%)
Finance costs	**(47,296)**	**(1.5%)**	**(1.5%)**	(31,111)	(1.1%)	(1.2%)
Share of results of associates	**(1,138)**	**(0.04%)**	**(0.04%)**	2,030	0.1%	0.1%
Gain on disposal of associates	**494**	**0.02%**	**0.02%**	–	0.0%	0.0%
Profit before taxation	**204,918**	**6.4%**	**6.7%**	187,716	6.8%	7.4%
Taxation	**(4,890)**	**(0.2%)**	**(0.2%)**	(37,574)	(1.4%)	(1.5%)
Profit for the year	**200,028**	**6.2%**	**6.5%**	150,142	5.4%	5.9%

Comparison of the annual results of 2013 with 2012:

REVENUE

In 2013, revenue of the Group amounted to RMB3,205,985,000 (2012: RMB2,768,171,000), representing a growth of 15.8% compared to that of the same period for the previous year. Of which, service revenue was RMB3,067,927,000 (2012:RMB2,551,395,000), representing a year-on-year growth of 20.2%, which was attributed to the constantly expanding customer base and the continuous and diversified development of the Group's main businesses.

The growth of Professional Service Business was mainly due to substantial contribution from stronger growths recorded in mobile and manufacturing business, finance and banking business, and electrify as well as energy business as compared to last year to overall professional services businesses.

For the Outsourcing Service Business, in the background of challenging environment experienced by our IT outsourcing business, Huawei Business and Great China Business have achieved faster-growing revenues. However, due to the depreciation of foreign currencies including Japanese Yen and USD against RMB, business of foreign currencies were affected. Japanese revenue recorded a drop in the growth and Euro-american revenue has slowed down.

In view of the prevailing condition, we have taken advantage of the capacity of our new service business, and developed our professional ability in cloud computing technology by utilizing our available resources. In fact, we have already commenced our work, closely collaborated with Alibaba, our strategic partner, and have captured the preemptive opportunities. As a popular business, our awarded China Mobile Wireless Fetion project has achieved a higher profit margin than that of traditional business. However, as Fetion business only started its project operation by second half of 2013, therefore its contribution to the revenue in the reporting period was relatively small, and has only created limited effect to the increase in overall business profit margin. It is believed that by continuously putting effort in the setup of cloud and mobile internet business, the overall profit margin level of the Groups will be enhanced steadily.

In 2013, the Group's revenue and service revenue by contract model are set out as follows:

	Revenue	**Weight**	**Service Revenue**	**Weight**
	RMB'000		*RMB'000*	
Fixed price	1,742,992	54.4%	1,604,934	52.3%
Time and material	1,364,353	42.6%	1,364,353	44.5%
Quantity-based	98,640	3.0%	98,640	3.2%
Total	3,205,985	100%	3,067,927	100%

In 2013, Revenue from the Group's three business lines accounted for 52.9%, 44.2% and 2.9% of the Group's total revenue respectively (2012: approximately 52.5%, 44.1%, and 3.4% respectively). The growth in revenue of each business line is set out as follows:

	2013 *RMB'000*	**Weight**	2012 *RMB'000*	Weight	Growth rate
Professional Services Business (PSG)	**1,694,727**	52.9%	1,452,782	52.5%	16.7%
Outsourcing Services Business (OSG)	**1,416,895**	44.2%	1,221,800	44.1%	16.0%
Training Business	**94,363**	2.9%	93,589	3.4%	0.8%
Total revenue	**3,205,985**	100%	2,768,171	100%	15.8%

Service Revenue from the Group's three business lines in 2013 accounted for 50.7%, 46.2% and 3.1% of the Group's total service revenue respectively (2012: approximately 48.4%, 47.9% and 3.7% respectively). The growth in service revenue for each business line is set out as follows:

	2013 *RMB'000*	**Weight**	2012 *RMB'000*	Weight	Growth rate
Professional Services Business (PSG)	**1,556,669**	**50.7%**	1,236,006	**48.4%**	**25.9%**
Outsourcing Services Business (OSG)	**1,416,895**	**46.2%**	1,221,800	**47.9%**	**16.0%**
Training Business	**94,363**	**3.1%**	93,589	**3.7%**	**0.8%**
Total service revenue	**3,067,927**	**100%**	2,551,395	**100%**	**20.2%**

COST OF MAIN BUSINESSES

In 2013, cost of the Group's main businesses accounted for 68.6% of the revenue (2012: 66.9%), representing an increase of 1.7% as compared with the same period of the previous year. Cost of main businesses of the Group amounted to RMB2,200,799,000 (2012: RMB1,852,830,000), representing an increase of 18.8% year on year.

GROSS PROFIT

In 2013, the Group's gross profit was approximately RMB1,005,186,000 (2012: RMB915,341,000), representing an increase of 9.8% year on year. In 2013, the Group's gross profit margin was approximately 31.4% (2012: 33.1%), representing a decrease of 1.7% as compared with the same period of the previous year.

The gross profit margin which was calculated based on service revenue was 32.8% in 2013 (2012: 35.9%), representing a decrease of 3.1% year on year. The profit margin calculated from service revenue has dropped. The decrease was mainly due to the depreciation of the exchange rates of Japanese Yen and US dollar, US Dollar and other foreign currencies during the reporting period, that resulted in year-on-year decrease in both revenue dominated in foreign currencies and its gross profit margin on one hand, as well as the continuous increase of staff costs and dual-submission for functional tests of "Joint Force" platform, that resulted in the rising direct costs and the decrease of gross profit margin

To cope with the rising labour cost in the future, apart from streamlining measures, the Group will mitigate its pressure created by increased labour cost with the following measures:

1. Focusing on next generation technology and higher-margin businesses, such as cloud computing and mobile Internet technologies like our China Mobile Fetion business, E-government cloud, Medical cloud, that could create higher margin than our prevailing business.

2. "Joint Force" platform – a collaboration platform based on cloud technologies, will be launched in 2014, in order to enhance operational efficiency and the utilization rate among our staff.

OTHER INCOME, GAINS AND LOSSES

In 2013, other income amounted to RMB61,836,000 (2012: RMB55,235,000), representing an increase of 12.0% over the same period of the previous year. The main reason for the increase is due to the increase in government subsidies in 2013 as compare to 2012.

OPERATING EXPENSES

In 2013, selling and distribution costs amounted to RMB175,369,000 (2012: RMB160,692,000), representing an increase of 9.1% as compared to 2012 and the proportion of selling and distribution costs to revenue was 5.5% as compared to 5.8% in 2012, representing a decrease of 0.3% over the same period of the previous year. In 2013, the proportion of selling and distribution costs to service revenue was 5.7%, a decrease of 0.6% compared with 6.3% in 2012. This has reflects the efficiency improvement of the Group in handling sales.

In 2013, administrative expenses amounted to RMB512,223,000 (2012: RMB454,761,000), representing a year-on-year growth of 12.6%. In 2013, the proportion of administrative expenses to revenue was 16.0%, an decrease of 0.4% compared with 16.4% for 2012. In 2013, the proportion of administrative expenses to service revenue was 16.7%, representing a year-on-year a decrease of 1.1% as compared with 17.8% in 2012. The decrease was mainly due to the Group's establishment of administrative and business operation supporting platform in previous years, which has created initial effects in this year. From 2014 onwards, we hope that such efforts would create more remarkable enhancement on operational efficiency.

In 2013, research and development cost expensed were RMB52,156,000 (2012: RMB57,055,000), representing a decrease of 8.6% over 2012, and the proportion of research and development costs expensed to revenue was 1.6%, representing a year-on-year a decrease of 0.5% as compared with 2.1% in 2012.

EBITDA AND BUSINESS CONTRIBUTION PROFIT

In 2013, the Group recorded an EBITDA of approximately RMB355,223,000 (2012: RMB328,838,000 million), representing an increase of 8.0% over the same period of the previous year. In 2013, the ratio of EBITDA to revenue was 11.1% (2012: 11.9%), representing a decrease of 0.8% over the same period of the previous year. The ratio of EBITDA which was calculated based on the service revenue was 11.6% (2012: 12.9%), representing a drop of 1.3% over the same period of the previous year.

In 2013, business contribution profit amounted to RMB387,068,000 (2012: RMB356,261,000), representing an increase of 8.6% over the same period of the past year. In 2013, the business contribution profit margin dropped by 0.8% over the same period of 2012 to 12.1% (2012: 12.9%). Business contribution profit margin which was calculated based on the service revenue was 12.7% (2012: 14.0%), representing a decrease of 1.3% over the same period of 2012.

The year-on-year decrease in EBITDA and business contribution profit margin was mainly due to the fact that although the Group has seen initial effects in this year with its establishment of business operation supporting platform, it could not fully offset the effects from rising labour cost on the profit margin calculated from service revenue.

FINANCE COSTS AND INCOME TAX

In 2013, finance costs accounted for 1.5% of the revenue, representing an increase of 0.4% as compared with that of 1.1% in 2012. Finance costs for the year amounted to RMB47,296,000 (2012: RMB31,111,000), representing an increase of 52.0% over 2012, which was mainly due to the increase of current fund borrowings in the reporting period.

In 2013, income taxes accounted for 0.2% of the revenue, representing a significant decrease of 1.2% compared with 1.4% in the corresponding period of 2012. Income taxes for the year amounted to RMB4,890,000 (2012: RMB37,574,000), representing a decrease of 87.0% over 2012, which was mainly due to the income tax remittance for Key Software Enterprises as well as the tax reduction for joint ventures. In the Period, the Group received better taxation benefits as compared to the last year. The Group expects that, in the reporting period, such taxation benefits will be sustained, while the actual scale of such would be determined by national policies.

OTHER NON-CASH EXPENSES

In 2013, the proportion of depreciation of property, plant and equipment to revenue was 1.6%, representing a decrease of 0.1% as compared with that of 1.7% for the same period of 2012. Depreciation of property, plant and equipment amounted to RMB52,562,000 (2012: RMB46,577,000), representing an increase of 12.8% over 2012 mainly due to the increase in depreciation due to purchase of fixed assets to address its personnel expansion during the year.

In 2013, the proportion of amortisation of intangible assets to revenue was 1.6%, remained at the same level as compared with 1.6% in the same period of 2012. Amortisation of intangible assets amounted to RMB49,803,000 (2012: RMB42,967,000), representing an increase of 15.9% over 2012, primarily due to the increase of research and development investment, which resulted in the increase in amortization of capitalized research and development expanse in the reporting period, as compared to last year, while the newly acquired electricity business has also created amortization of intangible asset in the reporting period..

In 2013, the proportion of share option expenses to revenue was 0.2%, a decrease of 0.2% as compared with 0.4% in the same period of 2012. Share option expenses amounted to RMB5,372,000 in 2013 (2012: RMB11,544,000), representing a substantial decrease of 53.5% over 2012, primarily due to much less share options issued in recent three years than those issued before 2010, as a result of which, the share option expenses allocated for 2013 were further decreased as compared with those for 2012.

In 2013, the proportion of provision for doubtful debts was RMB24,613,000 (2012: RMB15,807,000). Its proportion revenue was 0.8%, representing an increase of 0.2% as compared to the corresponding period of last year (2012: 0.6%). It was mainly due the Group's adoption of more conservative policies on provision for doubtful debts, which increased the proportion of provision for doubtful debts for medium and long term receivables.

In 2013, there was no gain arising from changes in fair value of contingent consideration payable on acquisition of business (2012: RMB5,557,000).

In 2013, there was no impairment loss recognised in respect of goodwill (2012: RMB28,054,000).

PROFIT FOR THE YEAR

In 2013, the Group achieved a profit for the year of RMB200,028,000 (2012: RMB150,142,000), representing an increase of 33.2% over the same period of last year. In 2013, profit for the year accounted for 6.2% to revenue (2012: 5.4%), representing an increase of 0.8% over last year. In 2013, profit for the year accounted for 6.5% to service revenue (2012: 5.9%), representing an increase of 0.6% over the same period of last year. The increase net profit margin was mainly due to Group's establishment of administrative and business operational supporting platform, which has created initial effects, leading to a lowered sales expanse rate and operational expense rate as compared to last year. Meanwhile, income tax for the year was substantially decreased as compared to last year, which has, to some extent, offset the effects created by the decrease of project margin. The Group believes that by the increase of future income scale, and the application of the newly delivered "Joint Force" Platform, as well as the continuous improvement in sales expanse rate and operation expanse rate, the net profit margin of the Group will be continuously enhanced.

Earnings per share

Excluding the profit attributable to minority interests, in 2013, the Group's profit for the year attributable to owners amounted to RMB148,301,000 (2012: RMB133,189,000), representing an increase of 11.3%.

One change to the joint venture between the Group and Huawei is that Huawei started to share 40% of joint venture profit after the joint venture successfully integrated with one another and entered into normal state of business operations in 2013. Thus, the 2013 annual profit attributable to non-controlling interests increased significantly to RMB51,727,000 (2012: RMB16,953,000). Excluding this change, the Group's profit for the year attributable to the owners grew by 41.1% over last year.

Based on the Group's profit for the year attributable to the owners, the basic earnings per share for 2013 was approximately RMB8.37 cents (2012: RMB7.99 cents), representing an increase of 4.8%. Excluding the impact of the new joint venture profit sharing mentioned above, the Group's basic earnings per share for the year 2013 was approximately RMB10.61 cents, representing an increase of 32.8% over the same period last year.

DIRECTORS' SERVICE CONTRACTS

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

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

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

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

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

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

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

Dr. Leung Wing Yin Patrick, Dr. Song Jun and Mr. Xu Zeshan have not entered into any service agreements as independent non-executive Directors with the Group. Dr. Leung Wing Yin Patrick and Mr. Xu Zeshan receive no remuneration for holding his office as an independent non-executive Director.

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

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

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2013, the following Directors had interests in the shares and underlying shares of the Company and shares in an associated corporation (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) of the Company as set out below and recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by directors of listed issuers.

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

Name of Director	Total No. of Ordinary Shares	Approximate percentage of total issued ordinary share capital of the Company as at 31 December 2013
Zhao John Huan	335,076,453	18.10%
Chen Yuhong	170,993,039	9.24%
Tang Zhenming	11,827,765	0.64%
Jiang Xiaohai*	6,872,447	0.37%
Wang Hui	6,277,838	0.34%
Zeng Zhijie	300,000	0.02%

* Retired on 20 May 2013

Options to subscribe for Shares

Name of Director	Exercise Price *(HK$)*	No. of share options outstanding as at 1 January 2013	No. of share options exercised during the year	No. of share options outstanding as at 31 December 2013	Percentage of total issued ordinary share capital of the Company as at 31 December 2013	No of underlying ordinary shares interested in	Note
Tang Zhenming	0.58	80,000	(80,000)	–	0.00%	4,100,000	(1)
	0.65	1,300,000	–	1,300,000	0.07%		(2)
	0.97	800,000	–	800,000	0.04%		(3)
	1.78	2,000,000	–	2,000,000	0.11%		(4)
Wang Hui	1.78	1,200,000	–	1,200,000	0.06%	1,200,000	(4)
Zeng Zhijie	1.78	450,000	–	450,000	0.02%	450,000	(4)

Notes:

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

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

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

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

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

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

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

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

Save as disclosed above and so far as was known to the Directors, as at 31 December 2013 none of the Directors or chief executive of the Company had any interests or short positions in the shares, debentures or underlying shares of the Company or its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the required standard of dealings by directors of listed issuers as referred to the Model Code for Securities Transactions, to be notified to the Company and the Stock Exchange.

As at 31 December 2013, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2013 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by, or leased to the Company or any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

As at 31 December 2013, none of the Directors were materially interested in any subsisting contract or arrangement which was significant in relation to the business of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

During the year ended 31 December 2013, save as disclosed above, none of the Directors was granted any options to subscribe for shares of the Company. As at 31 December 2013, none of the Directors had any rights to acquire shares in the Company save as disclosed above.

REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS

During the year ended 31 December 2013, the Company had adopted a code of conduct for directors' securities transactions on terms no less exacting than the required standard of dealings set out in the Model Code for Securities Transactions. Having made specific enquiry with all the Directors, the Directors had complied with the required standard of dealings and the code of conduct for directors' securities transactions during the year ended 31 December 2013.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors, as at 31 December 2013, the interest of the persons (not being a Director or chief executive of the Company) in the shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in Shares

Name	Nature of interest	Approximate number of Shares *(million)*	Approximate percentage of total issued ordinary share of the Company	Approximate percentage of total issued share* of the Company
Keen Insight Limited ("Keen Insight") *(Note 1)*	Beneficial interest	335.08	18.10%	17.03%
Hony Capital Fund 2008, L.P. *(Note 1)*	Interest of controlled corporation	335.08	18.10%	17.03%
Hony Capital Fund 2008 GP L.P. *(Note 1)*	Interest of controlled corporation	335.08	18.10%	17.03%
Hony Capital Fund 2008 GP Limited *(Note 1)*	Interest of controlled corporation	335.08	18.10%	17.03%
Hony Capital Management Limited ("Hony Capital") *(Note 1)*	Interest of controlled corporation	335.08	18.10%	17.03%
Zhao John Huan *(Note 2)*	Interest of controlled corporation	335.08	18.10%	17.03%
Right Lane Limited *(Note 2)*	Interest of controlled corporation	335.08	18.10%	17.03%
Legend Holdings Limited ("Legend Holdings") *(Note 3)*	Interest of controlled corporation	335.08	18.10%	17.03%
Chinese Academy of Sciences Holdings Co., Ltd. *(Note 4)*	Interest of controlled corporation	335.08	18.10%	17.03%
Chinese Academy of Sciences *(Note 4)*	Interest of controlled corporation	335.08	18.10%	17.03%

Name	Nature of interest	Approximate number of Shares *(million)*	Approximate percentage of total issued ordinary share of the Company	Approximate percentage of total issued share* of the Company
Beijing Lian Chi Zhi Yuan Management Consulting Center *(Note 5)*	Interest of controlled corporation	335.08	18.10%	17.03%
Beijing Lian Chi Zhi Tung Management Consulting Ltd. *(Note 5)*	Interest of controlled corporation	335.08	18.10%	17.03%
Greater Pacific Capital Partners, LP ("GPC") *(Note 6)*	Beneficial interest	119.27	6.44%	6.06%
Far East Holdings International Limited ("Far East Holdings") *(Note 7)*	Beneficial interest	113.40	6.13%	5.76%
Microsoft Corporation ("Microsoft") *(Note 8)*	Beneficial interest	97.25	5.25%	4.94%

* The total number of issued share consists of 1,851,175,283 Ordinary Shares and 116,404,949 Convertible Notes, which could be converted into 116,404,949 Ordinary Shares.

Notes:

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

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

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

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

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

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

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

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

Save as disclosed above, as at 31 December 2013, no other interest or short position in the Shares or underlying shares of the Company were recorded in the register required to be kept under section 336 of the SFO.

COMPETING INTERESTS

As at 31 December 2013, none of the Directors or the management shareholders of the Company and their respective associates (as defined under the Listing Rules) had any interest in a business which competed or might compete with the business of the Group.

THE AUDIT COMMITTEE

The Company established an audit committee on 2 June 2003 and amended its written terms of reference to comply with the requirements in the Corporate Governance Code and Corporate Governance Report of the Listing Rules. The primary duties of the audit committee are to review and to supervise the financial reporting process and internal control system of the Group. During the year ended 31 December 2013, the audit committee comprised of three independent non-executive Directors, Mr. Zeng Zhijie, Dr. Leung Wing Yin Patrick and Mr. Xu Zeshan (retired on 20 May 2013). Dr. Leung Wing Yin Patrick is the Chairman of the audit committee. The audit committee met on a semi-yearly basis during the year ended 31 December 2013.

The Group's unaudited interim results and audited annual results during the year ended 31 December 2013 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

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

Neither the Company nor any of its subsidiaries purchases, sold or redeemed any listed securities of the Company during the year under review.

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. The code provisions in the Corporate Governance Code and Corporate Governance Report (the "Code") (previously known as Code on Corporate Governance Practices (the "Former Code")) of the Listing Rules have served as guideposts for the Company to follow in its implementation of corporate governance measures.

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

In the opinion of the Board, the Group has complied with Code from 1 January 2013 to 31 December 2013, except that (i) the Chairman of the Board was not able to attend the annual general meeting of the Company held on 20 May 2013 (the "2012 AGM") (deviated from code provision E.1.2) due to other business commitment. However, one of the independent non-executive Directors attended and acted as the Chairman of the 2012 AGM; (ii) the roles of chairman and chief executive officer should be separate and should not be performed by the same individual (deviated from code provision A.2.1).

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

FINAL DIVIDEND AND CLOSURE OR REGISTER OF MEMBERS

The Board do not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

In order to ascertain the right to attend the forthcoming annual general meeting, the register of members of the Company will be closed from Wednesday, 14 May 2014 to Monday, 19 May 2014, both days inclusive, during which period no transfer of shares will be effected.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company is proposed to hold on Monday, 19 May 2014. Notice of the Annual General Meeting will be published and despatched to the shareholders in due course.

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

Hong Kong, 26 March 2014

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

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

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

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

* *For identification purposes only*