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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 2011

HIGHLIGHTS

Annual Results for 2011

	2011 *RMB'000*	**2010** *RMB'000*	**Increase**
Revenue	2,243,754	1,601,211	40.1%
Service Revenue	1,959,885	1,374,424	42.6%
Gross Profit	729,491	513,204	42.1%
Segment Results	218,589	166,539	31.3%
Profit for the year*	155,732	115,461	34.9%
EBITDA	293,184	200,836	46.0%
Business Contribution Profit**	323,380	233,687	38.4%

* *Profit for the year means the net profit excluding the changes in fair value of redeemable convertible preferred shares, gain arising from changes in fair value of contingent consideration payable of a business, impairment loss recognised in respect of goodwill and loss on deemed disposal of associates.*

** *Business Contribution Profit means EBITDA excluding share option expenses, net foreign exchange gain and allowance for doubtful debts.*

	2011 *RMB'000*	**2010** *RMB'000*	**Change**
Total Assets	2,947,534	2,373,623	+24.2%
Total Liabilities	1,143,849	1,271,620	-10.0%
Total Equity	1,803,685	1,102,003	+63.7%

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2011.

- In order to ascertain the right to attend the forthcoming annual general meeting, the Register of Member will be closed from Wednesday, 16 May 2012 to Friday 18 May 2012, both dates inclusive, during which period no share transfer shall be registered.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	NOTES	2011 RMB'000	2010 RMB'000
Turnover	3	**2,243,754**	1,601,211
Cost of sales		**(1,514,263)**	(1,088,007)
Gross profit		**729,491**	513,204
Other income, gains and losses		**46,036**	35,264
Selling and distribution costs		**(148,706)**	(94,203)
Administrative expenses		**(309,278)**	(241,444)
Research and development cost expensed		**(45,989)**	(39,086)
Allowance for doubtful debts		**(17,417)**	(8,276)
Amortisation of intangible assets and prepaid lease payments		**(47,514)**	(29,889)
Impairment loss recognised in respect of goodwill		**(68,982)**	–
Finance costs	4	**(23,898)**	(8,102)
Share of results of associates		**2,618**	2,650
Gain arising from changes in fair value of contingent consideration payable on acquisition of a business		**71,718**	–
Loss arising from changes in fair value of redeemable convertible preferred shares		**(37,287)**	(145,197)
Loss on deemed disposal of associates		**(105)**	–
Profit (loss) before taxation		**150,687**	(15,079)
Taxation	5	**(29,611)**	(14,657)
Profit (loss) for the year	6	**121,076**	(29,736)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**(680)**	1,197
Total comprehensive income (loss) for the year		**120,396**	(28,539)
Profit (loss) for the year attributable to:			
Owners of the Company		**110,594**	(40,133)
Non-controlling interests		**10,482**	10,397
		121,076	(29,736)
Total comprehensive income (loss) attributable to:			
Owners of the Company		**109,918**	(38,948)
Non-controlling interests		**10,478**	10,409
		120,396	(28,539)
Earnings (loss) per share	8		
Basic		**RMB0.0819**	RMB(0.0377)
Diluted		**RMB0.0756**	RMB(0.0377)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2011

	NOTES	**2011** **RMB'000**	2010 RMB'000
Non-current assets			
Property, plant and equipment		**131,456**	108,871
Intangible assets		**157,172**	181,316
Goodwill		**657,129**	729,111
Interests in associates		**25,551**	21,758
Available-for-sale investment		**25,000**	–
Prepaid lease payments		**469**	643
Deferred tax assets		**10,069**	9,025
		1,006,846	1,050,724
Current assets			
Inventories		**24,405**	18,441
Trade and other receivables	9	**760,648**	557,160
Prepaid lease payments		**178**	178
Amounts due from associates		**5,859**	2,430
Amounts due from customers for contract work	10	**363,683**	251,278
Amounts due from related companies		**394**	414
Pledged deposits		**12,571**	8,826
Bank balances and cash		**772,950**	484,172
		1,940,688	1,322,899
Current liabilities			
Amounts due to customers for contract work	10	**56,142**	58,066
Trade and other payables	11	**613,149**	460,799
Bills payable		**21,525**	6,213
Amounts due to related companies		**3,765**	147
Dividend payable to shareholders		**75**	79
Taxation payable		**29,849**	14,770
Borrowings	12	**165,600**	186,950
Consideration payable on acquisition of businesses		**–**	74,430
		890,105	801,454
Net current assets		**1,050,583**	521,445
Total assets less current liabilities		**2,057,429**	1,572,169

	NOTES	**2011**	2010
		RMB'000	*RMB'000*
Non-current liabilities			
Deferred tax liabilities		**24,767**	32,784
Consideration payable on acquisition of businesses		**5,557**	17,830
Redeemable convertible preferred shares		**–**	254,443
Convertible loan notes		**193,820**	165,109
Bank borrowings		**29,600**	–
		253,744	470,166
		1,803,685	1,102,003
Capital and reserves			
Share capital		**77,879**	61,133
Share premium		**1,392,651**	807,664
Reserves		**255,142**	167,651
Equity attributable to owners of the Company		**1,725,672**	1,036,448
Non-controlling interests		**78,013**	65,555
Total equity		**1,803,685**	1,102,003

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 Company and its subsidiaries (collectively referred to as the "Group") are development and provision of information technology ("IT") solutions services, IT outsourcing services, consulting services, mobile internet technology services and training services.

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

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
HK (IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of the new and revised Standards, Amendments and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Presentation of Financial Statements

(as part of Improvements to HKFRSs issued in 2010)

The amendments to HKAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the consolidated statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these consolidated financial statements have been modified to reflect the change.

New and revised HKFRSs issued but not yet effective

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

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 July 2012
[6] Effective for annual periods beginning on or after 1 January 2014

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the amendments to HKFRS 7 and the amendments to HKAS 32 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013 and 1 January 2014 respectively. The relevant disclosure will be retrospectively modified accordingly when the amendments are applied in the future accounting periods.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires 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.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, 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 attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that HKFRS 9 will be adopted in the Group's financial year beginning on 1 January 2015 and the application of HKFRS 9 may have an impact on the classification and measurement of the Group's available-for-sale equity investment measured at cost less impairment. Other than this, the directors do not expect the adoption of HKFRS 9 will have material impact on the Group's consolidated financial statements based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2011.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC)-Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time. The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013. The application of these five standards may have impacts on amounts reported in the consolidated financial statements and will result in more extensive disclosures.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies 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 in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, 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 subsequently 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 to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the results and the financial position 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.

Specifically, the Group's operating and reportable segments are as follows:

1. Solutions for government and manufacturing ("G&M") – development and provision of solutions services to government and manufacturing entities, and to a lesser extent, sales of standalone software and hardware products

2. Solutions for banking, financial services and insurance ("BFSI") – development and provision of solutions services to banks and other financial institutions; and to a lesser extent, sales of standalone software and hardware products

3. IT outsourcing

4. Training

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 operating and reportable segment:

	Segment revenue		**Segment results**	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
G&M	**726,905**	471,820	**54,586**	36,997
BFSI	**488,052**	392,059	**43,615**	36,168
IT outsourcing	**959,458**	682,917	**110,609**	85,596
Training	**69,339**	54,415	**9,779**	7,778
	2,243,754	1,601,211	**218,589**	166,539

Reconciliation of segment results to profit (loss) before taxation:

	2011	2010
	RMB'000	*RMB'000*
Segment results	**218,589**	166,539
Other income, gains and losses unallocated	**12,632**	4,455
Interest charge on convertible loan notes	**(12,666)**	(1,631)
Impairment loss recognised in respect of goodwill	**(68,982)**	–
Corporate expenses	**(8,456)**	(11,576)
Share-based payment	**(24,861)**	(27,669)
Gain arising from changes in fair value of contingent consideration payable on acquisition of a business	**71,718**	–
Loss arising from changes in fair value of redeemable convertible preferred shares	**(37,287)**	(145,197)
Profit (loss) before taxation	**150,687**	(15,079)

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 segments are the same as the Group's accounting policies described in note 3 of Annual Report.

Segment results represent the profit earned by each segment without allocation of impairment loss recognised in respect of goodwill, corporate expenses, share-based payment, gain arising from changes in fair value of contingent consideration payable on acquisition of a business, loss arising from changes in fair value of redeemable convertible preferred shares, interest charge on convertible loan notes and certain items of other income, gains and losses recorded at corporate level. 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 operating and reportable segment:

	2011	2010
	RMB'000	*RMB'000*
Segment assets		
G&M	**827,113**	736,430
BFSI	**523,081**	354,334
IT outsourcing	**635,408**	466,457
Training	**60,056**	42,622
Segment assets	**2,045,658**	1,599,843
Goodwill	**657,129**	729,111
Others	**244,747**	44,669
Consolidated assets	**2,947,534**	2,373,623
Segment liabilities		
G&M	**329,862**	364,959
BFSI	**357,783**	245,113
IT outsourcing	**211,383**	188,925
Training	**18,843**	12,921
Segment liabilities	**917,871**	811,918
Redeemable convertible preferred shares	**–**	254,443
Convertible loan notes	**193,820**	165,109
Others	**32,158**	40,150
Consolidated liabilities	**1,143,849**	1,271,620

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 redeemable convertible preferred shares, convertible loan notes, deferred tax liabilities and liabilities for which operating segments are jointly liable.

Other information

The following is the information about expenses (income) included in the measure of segment profit or loss and amounts included in segment asset:

	G&M		BFSI		IT outsourcing		Training		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	RMB'000	*RMB'000*	***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	**22,857**	124,599	**19,807**	5,774	**33,775**	44,554	**9,885**	2,656	**86,324**	177,583
Interests in associates	**21,620**	19,998	**–**	–	**3,931**	1,760	**–**	–	**25,551**	21,758
Depreciation of property, plant and equipment	**10,767**	17,803	**4,545**	4,227	**19,467**	10,927	**4,268**	2,420	**39,047**	35,377
Amortisation of intangible assets and prepaid lease payments	**37,344**	16,936	**–**	–	**9,985**	12,953	**185**	–	**47,514**	29,889
Allowance for doubtful debts	**9,644**	2,298	**6,869**	5,849	**394**	129	**510**	–	**17,417**	8,276
Interest income	**(1,067)**	(672)	**(1,629)**	–	**(757)**	(711)	**(9)**	(9)	**(3,462)**	(1,392)
Finance costs	**4,836**	4,437	**1,696**	206	**4,522**	1,743	**178**	85	**11,232**	6,471
Share of results of associates	**(1,593)**	(2,598)	**(1,025)**	(52)	**–**	–	**–**	–	**(2,618)**	(2,650)
Loss (gain) on disposal of property, plant and equipment	**429**	78	**8**	(31)	**130**	216	**6**	3	**573**	266

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 and available-for-sale investment, by geographical location are detailed below:

	Revenues from external customers		Non-current assets, other than deferred tax assets and available-for-sale investment	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
PRC and HK	**2,005,120**	1,446,463	**970,421**	1,040,794
USA	**209,154**	132,358	**1,154**	618
Japan	**29,480**	22,390	**202**	287
	2,243,754	1,601,211	**971,777**	1,041,699

Segment revenue by products and services:

	2011	2010
	RMB'000	*RMB'000*
Sale of software and hardware products	**283,869**	226,787
Provision of services		
Solutions	**931,088**	637,092
IT outsourcing	**959,458**	682,917
Training	**69,339**	54,415
	1,959,885	1,374,424
	2,243,754	1,601,211

Information about major customers

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

	2011	2010
	RMB'000	*RMB'000*
Customer A	**402,194**	268,451
Customer B	**237,893**	153,771

4. FINANCE COSTS

	2011	2010
	RMB'000	*RMB'000*
Interest on borrowings wholly repayable within five years	**11,232**	5,860
Imputed interest expenses on		
– consideration payable for acquisition of a business	**–**	611
Effective interest on convertible loan notes	**12,666**	1,631
	23,898	8,102

5. TAXATION

	2011	2010
	RMB'000	*RMB'000*
Tax charge comprises:		
PRC Enterprise Income Tax		
– current year	**38,928**	22,406
– over provision in prior year	**(721)**	(19)
	38,207	22,387
The US Federal and State Income taxes	**86**	406
Japan Corporate Income Tax	**379**	–
	38,672	22,793
Deferred tax	**(9,061)**	(8,136)
	29,611	14,657

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 11 October 2011, Chinasoft Beijing had been designated as a High and New Technology Enterprise ("HNTE") for a period up to 11 October 2014 and its income tax rate was reduced from 25% to 15%. Moreover, pursuant to the resolutions of National Development and Reform Commission dated 31 December 2008, Chinasoft Beijing had been designated as a Key Software Enterprise ("KSE") and its income tax rate was reduced from 15% to 10% for the year dated 31 December 2010. Chinasoft Beijing is still in the application process of KSE status for the year ended 31 December 2011. As a result, Chinasoft Beijing is subject to the income tax rate of 15% for the current year.

Pursuant to a certificate issued by Beijing Municipal Science and Technology Commission dated 24 December 2008, Chinasoft Resources Beijing had been designated as a HNTE till the end of 2011 and its income tax rate was reduced from 25% to 15% for both years.

Pursuant to an approval document issued by the Shanghai City District Bureau dated 27 February 2007, Chinasoft Resources Shanghai was entitled to the two year's exemption from income tax followed by three years of 50% tax reduction with effect from 2006. As a result, Chinasoft Resources Shanghai is subject to the income tax at the rate of 12.5% for the year ended 31 December 2010. Pursuant to a certificate issued by Shanghai Municipal Science and Technology Commission dated 11 December 2009, Chinasoft Resources Shanghai had been designated as a technically advanced service enterprise for a period up to 31 December 2013. As a result, its income tax rate was reduced from 25% to 15% for the current year.

Pursuant to an approval document issued by the Xuhui Branch of State Administration of Taxation Bureau in Shanghai and Xuhui Branch of Shanghai Local Taxation Bureau dated 22 May 2008, Shanghai Huateng was approved as a production enterprise and its income tax rate was reduced from 25% to 12.5% with effective from 1 January 2008 to 31 December 2010. Pursuant to a certificate issued by Shanghai Municipal Science and Technology Commission dated 20 October 2011, 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 current year.

In addition, Chinasoft Resources Shenzhen is located in the Shenzhen Special Economic Zone and the applicable tax rate was 15% before the effective date of the new EIT Law. With effect from 1 January 2008, the tax rate will increase progressively to 25%. The applicable tax rate of the Special Economic Zone is 24% in 2011 (2010: 22%). As a result, Chinasoft Resources Shenzhen is subject to the income tax at the rate of 24% for the year ended 31 December 2011 (2010: 22%).

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 (loss) before taxation as follows:

	2011	2010
	RMB'000	*RMB'000*
Profit (loss) before taxation	**150,687**	(15,079)
Tax at PRC Enterprise Income Tax rate of 25% (2010: 25%)	**37,672**	(3,770)
Tax effect of share of results of associates	**(655)**	(663)
Tax effect attributable to tax exemptions and concessions granted to PRC subsidiaries	**(42,362)**	(39,080)
Tax effect of expenses not deductible for tax purpose	**44,919**	59,744
Tax effect of income not taxable for tax purpose	**(20,063)**	(5,327)
Over provision in prior year	**(721)**	(19)
Tax effect of utilisation of tax losses previously not recognised	**(1,313)**	(426)
Tax effect of tax losses not recognised	**11,918**	3,946
Effect of different tax rates of subsidiaries	**216**	252
Tax charge for the year	**29,611**	14,657

6. PROFIT (LOSS) FOR THE YEAR

	2011	2010
	RMB'000	*RMB'000*
Profit (loss) for the year has been arrived at after charging:		
Directors' remuneration	**3,463**	3,956
Other staff costs	**1,115,622**	661,136
Retirement benefits costs (excluding those for directors)	**89,865**	61,727
Share option expenses (excluding those for directors)	**24,861**	27,519
Total staff costs	**1,233,811**	754,338
Less: Staff costs capitalised as development costs	**(14,073)**	(9,807)
	1,219,738	744,531
Research and development costs expensed	**50,987**	41,601
Less: Government grants	**(4,998)**	(2,515)
	45,989	39,086
Depreciation of property, plant and equipment	**39,047**	35,377
Amortisation of intangible assets	**47,358**	29,725
Amortisation of prepaid lease payments	**156**	164
	86,561	65,266
Auditor's remuneration	**3,800**	4,800
Cost of inventories recognised as an expense	**241,301**	191,259
Loss on disposal of property, plant and equipment	**573**	266
Minimum lease payments in respect of buildings	**58,326**	45,539
and after crediting:		
Interest income from pledged deposits and bank balances	**3,802**	1,392
Government grants	**26,628**	22,831
Net foreign exchange gain	**12,082**	3,094
Tax incentive subsidies	**3,463**	5,599

7. DIVIDEND

No dividend was paid or proposed during 2010 and 2011, nor has any dividend been proposed since the end of the reporting period.

8. EARNINGS (LOSS) PER SHARE

	2011	2010
	RMB'000	*RMB'000*
Earnings (loss)		
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share (Profit (loss) for the year attributable to owners of the Company)	**110,594**	(40,133)

Number of shares

	2011	2010
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**1,349,785**	1,064,256
Effect of dilutive potential ordinary shares: Share options	**113,451**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**1,463,236**	1,064,256

The computation of diluted loss per share for the year ended 31 December 2010 did not assume the conversion of the Company's outstanding redeemable convertible preferred shares or convertible loan notes as the conversion would result in a decrease in loss per share.

In addition, the computation of diluted losses per share for the year ended 31 December 2010 did not assume the exercise of share options because the exercise price of those options was higher than the average market price of the Company's shares or the exercise would result in a decrease in loss per share.

The computation of diluted earnings per share for the year ended 31 December 2011 did not assume the conversion of the Company's outstanding redeemable convertible preferred shares prior to their conversion or 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

	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**717,577**	510,761
Less: Allowance for doubtful debts	**(79,307)**	(61,890)
	638,270	448,871
Trade receivables from related companies *(Note)*	**1,664**	6,140
	639,934	455,011
Advances to suppliers	**39,296**	42,856
Deposits, prepayments and other receivables	**81,418**	59,293
	760,648	557,160

Note: The balances principally arose from provision of services by the Group to certain related companies.

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:

	2011	2010
	RMB'000	*RMB'000*
Within 90 days	**483,793**	370,973
Between 91 – 180 days	**80,316**	40,565
Between 181 – 365 days	**39,804**	16,347
Between 1 – 2 years	**30,293**	26,073
Over 2 years	**5,728**	1,053
	639,934	455,011

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. 71% (2010: 68%) 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 receivable balance are debtors with an aggregate carrying amount of RMB131,106,000 (2010: RMB102,957,000) 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

	2011	2010
	RMB'000	*RMB'000*
Within 90 days	**12,601**	32,308
Between 91 – 180 days	**42,680**	27,176
Between 181 – 365 days	**39,804**	16,347
Between 1 – 2 years	**30,293**	26,073
Over 2 years	**5,728**	1,053
Total	**131,106**	102,957

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

	2011	2010
	RMB'000	*RMB'000*
Balance at beginning of the year	**61,890**	55,768
Impairment losses recognised on receivables	**17,417**	8,276
Amounts written off as uncollectible	**–**	(2,154)
Balance at end of the year	**79,307**	61,890

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

	2011	2010
	RMB'000	*RMB'000*
Contracts in progress at the end of the reporting period		
Contract costs incurred plus recognised profits less recognised losses	**1,557,975**	563,075
Less: Progress billings	**(1,250,434)**	(369,863)
	307,541	193,212

	2011	2010
	RMB'000	*RMB'000*
Analysed for reporting purposes as:		
Amounts due from contract customers for contract work	**363,683**	251,278
Amounts due to contract customers for contract work	**(56,142)**	(58,066)
	307,541	193,212

At 31 December 2011, retentions held by customers for contract work amounted to RMB3,680,000 (2010: RMB3,730,000). There are no advances received from customers for contract work at the end of 2011 and 2010.

11. TRADE AND OTHER PAYABLES

	2011	2010
	RMB'000	*RMB'000*
Trade payables	**283,359**	183,656
Trade payables to related companies *(Note)*	**–**	2,153
	283,359	185,809
Deposits received from customers	**41,505**	23,519
Other payables and accrued charges	**288,285**	251,471
	613,149	460,799

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

	2011	2010
	RMB'000	*RMB'000*
Within 90 days	**161,373**	74,129
Between 91 – 180 days	**20,780**	30,630
Between 181 – 365 days	**20,811**	37,414
Between 1 – 2 years	**65,345**	31,807
Over 2 years	**15,050**	11,829
	283,359	185,809

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

Note: The balance at the end of 2010 principally arose from rental expenses charged by a related company to the Group.

12. BORROWINGS

	2011	2010
	RMB'000	*RMB'000*
Unsecured bank loans *(Note (i))*	**195,200**	146,950
Unsecured loans from other financial institution	**–**	40,000
	195,200	186,950

	2011 *RMB'000*	2010 *RMB'000*
Carrying amount repayable:		
Within one year	**165,600**	186,950
More than one year, but not exceeding two years	**29,600**	–
	195,200	186,950
Less: Amounts due within one year shown under current liabilities	**(165,600)**	(186,950)
Amounts shown under non-current liabilities	**29,600**	–

	2011 *RMB'000*	2010 *RMB'000*
Total borrowings		
At floating rates *(Note (ii))*	**195,200**	186,950

	2011 *RMB'000*	2010 *RMB'000*
Analysis of borrowings by currency		
Denominated in RMB	**195,200**	186,950

Notes:

(i) Credit guaranteed by the Company and certain subsidiaries of the Company.

(ii) 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 6.71% (2010: 5.40%) per annum.

MANAGEMENT DISCUSSION AND ANALYSES

KEY OPERATING DATA

Excluding the loss arising from changes in fair value of redeemable convertible preferred shares which are considered to be derivative financial instruments (2011: RMB37,287,000; 2010: RMB145,197,000), the gain arising from changes in fair value of contingent consideration payable on acquisition of business (2011: RMB71,718,000; 2010: nil), impairment loss in respect of goodwill (2011: RMB68,982,000; 2010: nil) and loss on deemed disposal of associates (2011: RMB105,000; 2010: nil), the key data of the consolidated statement of comprehensive income of the Group are set out as follows:

	2011	2010	Year-on-year
	RMB'000	*RMB'000*	increase %
Revenue	**2,243,754**	1,601,211	40.1%
Service Revenue*	**1,959,885**	1,374,424	42.6%
Cost of sales	**(1,514,263)**	(1,088,007)	39.2%
Gross profit	**729,491**	513,204	42.1%
Other income, gains and losses	**46,036**	35,264	30.5%
Selling and distribution costs	**(148,706)**	(94,203)	57.9%
Administrative expenses	**(309,278)**	(241,444)	28.1%
Research and development cost expensed	**(45,989)**	(39,086)	17.7%
Allowance for doubtful debts	**(17,417)**	(8,276)	110.4%
Amortisation of intangible assets and prepaid lease payments	**(47,514)**	(29,889)	59.0%
Finance costs	**(23,898)**	(8,102)	195.0%
Share of results of associates	**2,618**	2,650	(1.2%)
Profit before taxation	**185,343**	130,118	42.4%
Taxation	**(29,611)**	(14,657)	102.0%
Profit for the year***	**155,732**	115,461	34.9%
+Taxation	**29,611**	14,657	102.0%
+Finance costs	**23,898**	8,102	195.0%
+Depreciation of property, plant and equipment	**39,047**	35,377	10.4%
+Amortisation of intangible assets and prepaid lease payments	**47,514**	29,889	59.0%
– Share of results of associates	**2,618**	2,650	(1.2%)
EBITDA**	**293,184**	200,836	46.0%
+Share option expenses	**24,861**	27,669	(10.1%)
– Net foreign exchange gain	**12,082**	3,094	290.5%
+Provision for doubtful debts	**17,417**	8,276	110.4%
Business contribution profit**	**323,380**	233,687	38.4%

Note*: The service revenue is extracted from note 3 to the consolidated financial statements. Please refer to the part on "revenue" in "operating results" below for detailed analysis.

Note**: EBITDA and business contribution profit (EBITDA excluding share option expenses, net foreign exchange gain and allowance for doubtful debts) are the true reflection of the business' earnings capability. Please refer to the part on "earnings capability" below for detailed analysis.

Note***: Profit for the year means the net profit excluding the loss arising from changes in fair value of redeemable convertible preferred shares, impairment loss recognised in respect of goodwill, gain arising from changes in fair value of contingent consideration payable on acquisition of a business and loss on deemed disposal of associates.

GENERAL OVERVIEW

The growth in key operating data of the Group for 2011 is set out as follows:

	2011 *RMB'000*	2010 *RMB'000*	Growth rate
Revenue	**2,243,754**	1,601,211	40.1%
Service Revenue	**1,959,885**	1,374,424	42.6%
EBITDA	**293,184**	200,836	46.0%
Business contribution profit	**323,380**	233,687	38.4%

In 2011, segmental results of the Group increased by 31.3% (extracted from note 3 of the consolidate financial statements) on the whole as compared with that of the previous year and the growth in revenue, service revenue and results by business line is set out as follows:

	Segment Revenue			**Segment Service revenue**			**Segment Results**		
	2011 *RMB'000*	2010 *RMB'000*	Growth rate	**2011** *RMB'000*	2010 *RMB'000*	Growth rate	**2011** *RMB'000*	2010 *RMB'000*	Growth rate
Government and manufacturing	**726,905**	471,820	54.1%	**579,534**	364,431	59.0%	**54,586**	36,997	47.5%
BFSI	**488,052**	392,059	24.5%	**351,554**	272,661	28.9%	**43,615**	36,168	20.6%
IT outsourcing	**959,458**	682,917	40.5%	**959,458**	682,917	40.5%	**110,609**	85,596	29.2%
Training	**69,339**	54,415	27.4%	**69,339**	54,415	27.4%	**9,779**	7,778	25.7%
Total	**2,243,754**	1,601,211	40.1%	**1,959,885**	1,374,424	42.6%	**218,589**	166,539	31.3%

Note: "Segmental results" refer to the profit earned/loss incurred prior to distribution of impairment loss recognised on goodwill, corporate expenses, share-based payment and loss arising from fair value change of redeemable convertible preferred shares, effective interests of convertible loan notes, and other income, gains and losses recorded at the Group level. (Extracted from note 3 to the consolidated financial statements)

One may see that there was a relatively substantial growth in revenue, service revenue and results of the Group's business lines as compared with that of the previous year. The growth rate was mainly contributed by the government and manufacturing business lines.

The Group's major business growth drivers in 2011 were as follows:

All of the Group's main business sectors achieved strong results and simultaneous rapid growth, of which:

1. The segment of solutions for government and manufacturing achieved a year-on-year increase of 54.1% and 59.0% in service revenue from service respectively.

   During the reporting period, it won tenders for a number of industry based large scale software development and solution projects, further consolidating its market position in the infomatization field in this industry. Among them, the audit industry remained its leading customer base. The Golden Auditing Project has been reaching its peak, and its new businesses, such as "private cloud" in auditing and BPO service, have established their preferable market condition with the formal launch of products such as Networking Audit System (basic Version), Audit Management System ("1 comprising N" Version); it was awarded the tender from the Ministry of Finance for the procurement transaction managing system project and the financial revenue and expense statistical analyze system project and succeeded in entering the financial core business system; awarded the tender from the Ministry of Environment Protection for the emission reduction application support platform and system integration project, environmental information and statistics ability construction project as well as the 2011 national underground water environmental base condition inspection information system; awarded successfully the tender from Chinese Academy of Agricultural Sciences for the "Information Sharing and Service System" Project, representing a remarkable breakthrough in the agricultural field after the Golden Agriculture Project; awarded the tender from the News and Publication General Office for the "Upgrade and Improvement for the Chinese Reporters Website" Project; its R1 and ESB products were enlisted by the Ministry of Environmental Protection in its foundation software procurement contracts.

   In respect of large enterprises, the Group endeavored to business expansion and has secured orders for the comprehensive risk management information system from China South Industries Group Corporation and for the overall integration project from China National Gold Group Gold Jewellery Co., Ltd. During the reporting period, with its strength in "IT and Consultation", it was awarded the tender from China Southern Power Grid Co., Ltd. for coordinated office system classic design project, representing a directional breakthrough in the field of electricity informatization by Chinasoft; awarded the tender from Jiulong Electric Power for the project of "Public Operating Service Platform for Vehicle Power-charging", which further ascertains its position in the energy and power industries; awarded the tender from Tai Yuan Institute of China Coal Technology and Engineering Group for the IT planning project.

In respect of manufacture and circulation industries, it was awarded tenders for a number of MES projects in the tobacco industry as a dominating position taking shape in the MES field in the industry; continued promotion of provincial localized operation services has enlarged the coverage of the provincial operating market; a number of MES projects in the tobacco industry were implemented smoothly; it has also complemented and perfected the monitor business line for the tobacco industry and developed and implemented some provincial internal-control management related systems; MES projects in non-tobacco industries have achieved breakthrough in the banknote printing and mining industries preliminarily and was awarded the tender from China Banknote Printing and Mining for the "Data Sharing Platform R&D project; in the field of medicine, it was awarded the tender from Pfizer for FACE System Project; awarded the tender from Harbin Electric Machinery for the project of "Production Management Information System" and succeeded in entering in the heavy technology equipment industry.

2. The segment of solutions for banking financial services and insurance (BFSI) business line achieved a year on year increase of 24.5% and 28.9% in revenue and revenue form service respectively.

   During the reporting period, the deficiency-free startup of the new generation of Shanghai Bank credit card system deficiency and the successful start-up of the card system of Ping An Bank received high appreciation from customers; it was awarded the tender from China Everbright Bank for the project of credit card system development and operation maintenance, which further ascertains the leading position in credit card high-end service market of Chinasoft; certain extend of outsourcing revenues were generated from HSBC, Ping An and Unionpay, which can be seen as indicators of the rise of end-to-end service in the financial industry. It has secured the project of "New Hefei Pass" Financial IC Card and issued the first small-amount store-value card that conforms to PBOC2.0 Standard of the central bank in the field of city smart card, which marked also the first industry application of the financial IC improvement project.

   During the reporting period, it was awarded tenders for railway toll and ticketing systems of Wuxi, Ningpo, Shanghai (Route 11 and 13), Tianjin (Route 1), and saw official startups of Chongqing MTR ACC System and the "Smart Card Project for Beijing Suburban Railway Route S2". The city smart card was first applied in railway system after accumulating experience in some 30 cities in the PRC; the Qingdao Pass ETC Project has successfully passed its trial run, which marks the Group's first ETC project as well as a good try in extending new business domain by the public service trunk programs. it signed a contract in relation to a platform construction project with a well-known convenience card operator, which was another involvement in the mobile payment platform market after the Shanghai "mobile wallet" project; obtained the central bank collaboration third party payment licenses with the Easy Pay, which enables it to participate directly in the payment business and capture the advantageous timing in the sector. Its involvement in the smart city construction of Shanghai has forged the first e-bill payment public service platform nationwide; its enlisting as a SI service provider for Shanghai Mobile has further reinforced its strategic cooperation with Shanghai Mobile.

During the reporting period, the life insurance institutional rating system was well received after examination by China Pacific Insurance (Group) Co., Ltd as it was awarded tenders from China Pacific Insurance (Group) Co., Ltd. for projects like continued improvement of life insurance IDS System, life insurance and all risks core operation platform, signifying further expansion of the Group's business with China Pacific Insurance; successfully secured the project of national data centralization from China Pacific Insurance; its proprietary intellectual right products, namely TOP FXGL Risk Management Information Software/TOP GLICBS Life Insurance Group Insurance core Operation Software/TOP IVMS Insurance Policy Management Software, were officially launched; signed 2011 outsourcing framework agreements with enterprises comprising Ping An Insurance (Group) Company of China Ltd., namely Ping An Technology (Shenzhen) Co., Ltd., Shenzhen Pin An Bank Co., Ltd., Ping An Securities Co., Ltd., engaging in human resource outsourcing cooperation in a brand-new model.

3. The segment of IT outsourcing achieved a year-on-year increase of 40.5% in revenue and revenue form service,

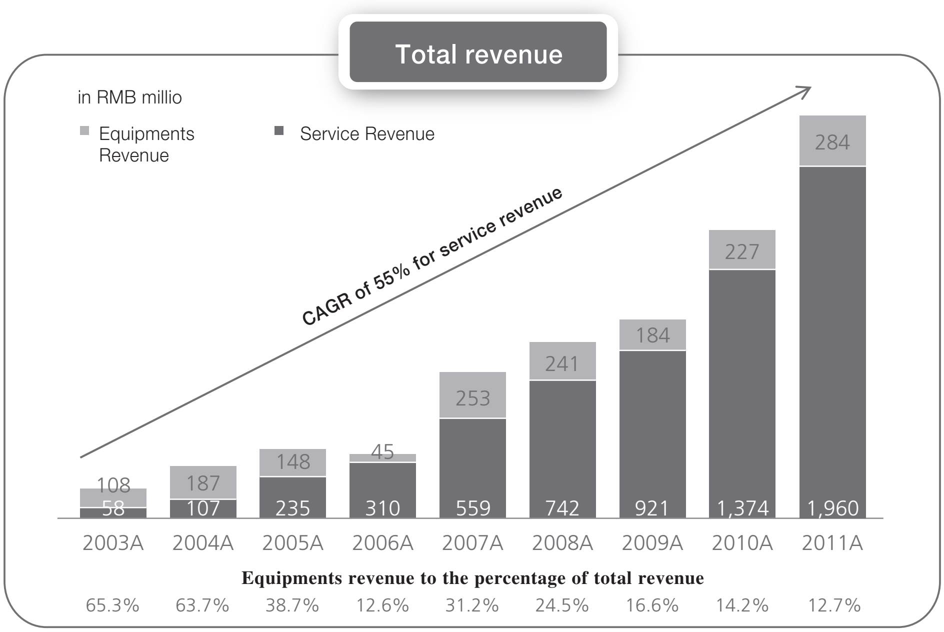
   During the reporting period, the Group maintained its strategic partnership with a world-leading Chinese telecom equipment provider, and became the largest top supplier for its research institute in Xian and achieved outstanding results in its supplier effectiveness ranking, such that three out of five product lines it was ranked first, and continued to attain high appraisals in all effectiveness ranking for all domains and all research institutes in the second half of the year. It cooperated with a renowned international telecom equipment supplier in providing RCS (Rich Communication Suite) services to an overseas telecom operator, which so far signifies the first expansion into overseas market of Chinasoft's telecom products.

   During the reporting period, the Group became the fastest growing supplier of Microsoft, the largest supplier of MSIT in China as well as the first to be rated top 10 out of 3,000 suppliers of Microsoft in China; signed a development and test agreement with GFS of Microsoft, which is the first cooperation between Chinasoft and GFS of Microsoft; it was also the first to be awarded the "Outstanding Supplier for the Year" among all software suppliers of TD Tech Ltd.; achieved from a strategic customer, which is a world top 100 enterprise, that the software development of outsourcing business had become the driver of the software maintenance and operation business, and the Group successfully signed the Oracle ERP operation and maintenance service contract in China and Britain for a term of 3 years. It has successfully developed the Managed Service business, completed the first foundation structure management services, data center construction for a customer and entered the phase two project negotiation stage; successfully secured the outsourcing business of a domestically renowned ERP software producer with brilliant results, ranking second in 19 projects among 9 cooperation partners; signed a cooperation agreement with Shandong Taixin (Jinan) and secured successfully outsourcing projects in Jinan district; signed another human resources outsourcing contract with Xian Kingdee after an early stage cooperation in the form of human resources outsourcing; secured successfully the financial procedure outsourcing business of a top 500 enterprise, a breakthrough in the outsourcing of mid to high end business process in the financial field.

4. The segment of training achieved a year-on-year increase of 27.4% in revenue and service revenue.

During the period, it participated in the "Education and Cultivation Program for Excellent Engineers" hosted by the Ministry of Education of China and yielded phasing fruits. 41 new institutions/schools were signed for in-depth cooperation (totaled 59), 27 of which were co-established schools/specialties (totaled 36); the schools concerned continuously supplied junior technicians for the standardization of all lines of business of the Group. For instance, in 2011, some 300 personnel were trained with the help of ETC for certain outsourcing business departments; it also participated in "excellent engineer campaign" held by the Ministry of Education, developed "practical education center" solution; proactively developed "the Internet of things laboratory", "mobile internet laboratory", and promoted to the high schools under the in-depth cooperation; participated in construction of T-Zone Industry Part of China Nanjing Software Valley in concerted effort to forge software the industry talent servicing platform and the talent supply system; held IT recruiting seminars in Beijing, Tianjin and Dalian in collaboration with a number of enterprises with an aim to proactively create job opportunities for students.

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 38% and 55% over the period from 2003 to 2011 respectively. The details are set out as follows:



Customer

The Group's customers include large enterprises situated in Greater China, Europe, the US and Japan. It had a relatively big market share in the fast-growing China market, particularly in the mainstream industries such as the government and manufacturing industry, finance and banking industries, telecom industry and high-tech industry. In 2011, service revenue from the top five customers accounted for 38.4% of the Group's total service revenue while those from the top ten customers accounted for 43.7%. 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 in the Group's total service revenue will further decline.

In 2011, the number of active customers was 855, of which 320 are new customers. In 2011, each of 58 major customers of the Group generate service revenue of more than RMB6 million respectively.

Market

The Group operated its businesses mainly in Greater China. In 2011, the Group continued to set Greater China market as an important sector for development. China's strong economic growth and the immense market potentials embedded in Greater China led to long-term growth opportunities for the Group. At the same time, several of the Group's large multinational corporate customers also expressed 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 the rare development opportunities for the Group's businesses.

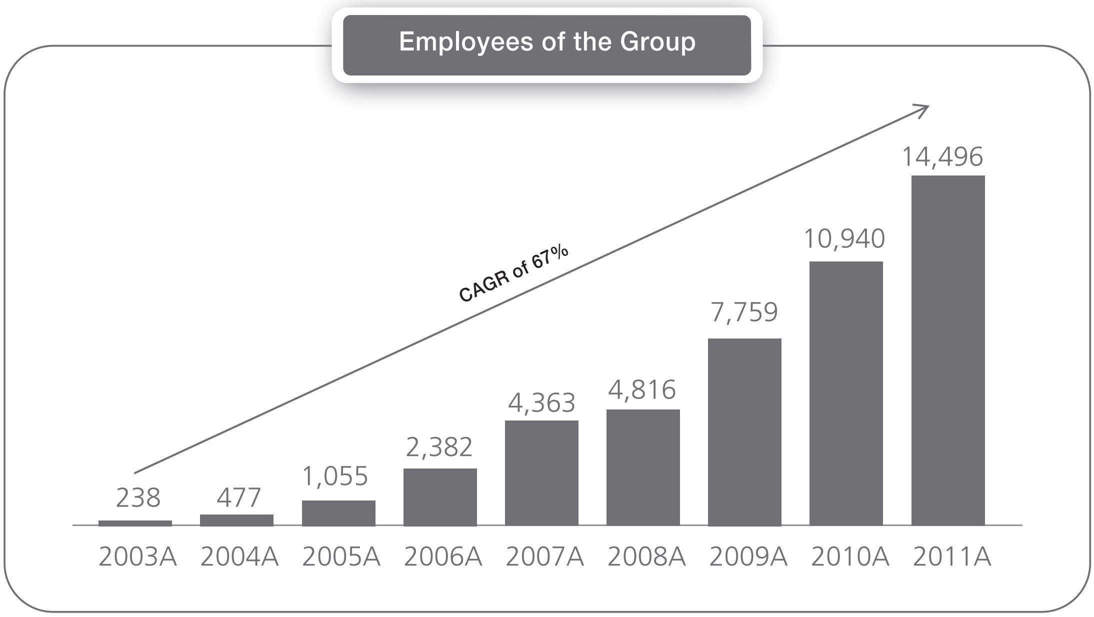
Human Resources

As of the end of 2011, the Group had altogether 14,496 employees, representing an increase of 32.5% over 10,940 employees as of the end of 2010, of which 12,377 employees were technicians accounting for 85% of the Group's total number of employees and 1,217 employees were project managers and key consulting staff accounting for 9.8% of the Group's total number of technical employees.

The average turnover rate of the Group through 2011 was 14.3%, which was lower than the sector average level. Despite that the costs of human resources have increased continuously in recent years, the Group was still able to increase earnings capability constantly through the continuous increase in the scale of business income and a series of cost and performance management measures (including reasonable human resources allocation structure for stabilising overall cost levels, continuous input of resources into research and development for increasing the re-use of technology and optimization of incentive policy for improving production efficiency among employees).

The Group cooperated with over 400 colleges and education institutions in setting up training centers in Beijing, Tianjin, Dalian, Changsha, Wuxi, Chongqing, Xiamen, Nanjing and Chengdu to customise development training programmes for the business divisions of the Group. Each business division could participate in the course design, process tracking and evaluation to select quality students from a huge resource pool, hence ensuring constant supply of practical personnel.

Since the listing on the Growth Enterprise Market in 2003, the size of the Group's personnel has maintained rapid growth, recording a CAGR of 67% over the period from 2003 to 2011. The details are set out as follows:



Earnings Capability

In 2011, the Group's EBITDA was RMB293.184 million (2010: RMB200.836 million), representing a growth of 46.0% over the same period of previous year. EBITDA ratio was 13.1% in 2011 (2010: EBITDA ratio was 12.5%), representing a year-on-year increase of 0.6% (EBITDA ratio was 15.0% if measured on the basis of service revenue (2010: EBITDA ratio was 14.6%), representing an increase of 0.4% over the same period of the previous year). Details from the profit for the year to EBITDA adjustments are set out as follows:

	2011	2010	Growth
	RMB'000	*RMB'000*	rate
Profit (Loss) for the year	**121,076**	(29,736)	N/A
+Taxation	**29,611**	14,657	102.0%
+Finance costs	**23,898**	8,102	195.0%
+Depreciation of property, plant and equipment	**39,047**	35,377	10.4%
+Amortisation of intangible assets and prepaid lease payments	**47,514**	29,889	59.0%
+Loss arising from changes in fair value of redeemable convertible preferred shares	**37,287**	145,197	(74.3%)
+Loss on deemed disposal of associates	**105**	0	N/A
– Gain arising from changes in fair value of contingent consideration payable on acquisition of a business	**71,718**	0	N/A
+Impairment loss recognised in respect of goodwill	**68,982**	0	N/A
– Share of results of associates	**2,618**	2,650	(1.2%)
EBITDA	**293,184**	200,836	46.0%

In order to assist its vast shareholders and investors in comparing the Group with different business trends during the reporting period and in understanding the Group's continuous business achievements clearer and to facilitate the comparison of the Group's business achievements with other similar companies, it has excluded impacts on the profit and loss of non-business and non-cash nature in the EBITDA (for example: share option expenses, net foreign exchange gain and allowance for doubtful debts) in its calculation of the business contribution profit for 2011. Details from EBITDA to business contribution profit are set out as follows:

	2011	2010	Growth
	RMB'000	*RMB'000*	rate
EBITDA	**293,184**	200,836	46.0%
+Share option expenses	**24,861**	27,669	(10.1%)
– Net foreign exchange gain	**12,082**	3,094	290.5%
+Allowance for doubtful debts	**17,417**	8,276	110.4%
Business contribution profit	**323,380**	233,687	38.4%

In 2011, the Group's business contribution profit was RMB323.380 million (2010: RMB233.687 million), representing a year-on-year growth of 38.4%. The ratio of business contribution profit was 14.4% (2010: the ratio of business contribution profit was 14.6%), representing a decrease of 0.2% over the same period of the previous year (the ratio of business contribution profit was 16.5% (2010: the ratio of business contribution profit was 17.0%) if measured on the basis of service revenue, representing a decrease of 0.5% over the same period of the previous year).

OPERATING RESULTS

The following chart sets out the Group's consolidated statement of comprehensive income for 2011 and 2010:

	2011 *RMB'000*	**Percentage of revenue**	**Percentage of service revenue**	2010 *RMB'000*	Percentage of revenue	Percentage of service revenue
Revenue	**2,243,754**		**–**	1,601,211		
Service Revenue	***1,959,885***		**–**	*1,374,424*		
Cost of sales	**(1,514,263)**	**(67.5%)**		(1,088,007)	(67.9%)	
Gross profit	**729,491**	**32.5%**	**37.2%**	513,204	32.1%	37.3%
Other income, gains and losses	**46,036**	**2.1%**	**2.3%**	35,264	2.2%	2.6%
Selling and distribution costs	**(148,706)**	**(6.6%)**	**(7.6%)**	(94,203)	(5.9%)	(6.9%)
Administrative expenses	**(309,278)**	**(13.8%)**	**(15.8%)**	(241,444)	(15.1%)	(17.6%)
Research and development cost expensed	**(45,989)**	**(2.0%)**	**(2.3%)**	(39,086)	(2.4%)	(2.8%)
Allowance for doubtful debts	**(17,417)**	**(0.8%)**	**(0.9%)**	(8,276)	(0.5%)	(0.6%)
Amortisation of intangible assets and prepaid lease payments	**(47,514)**	**(2.1%)**	**(2.4%)**	(29,889)	(1.9%)	(2.2%)
Gain arising from changes in fair value of contingent consideration payable on acquisition of a business	**71,718**	**(3.2%)**	**(3.7%)**	0	0.0%	0.0%
Impairment loss recognised in respect of goodwill	**(68,982)**	**(3.1%)**	**(3.5%)**	0	0.0%	0.0%
Finance costs	**(23,898)**	**(1.1%)**	**(1.2%)**	(8,102)	(0.5%)	(0.6%)
Share of results of associates	**2,618**	**0.1%**	**0.1%**	2,650	0.2%	0.2%
Loss on deemed disposal of associates	**(105)**	**(0.005%)**	**(0.005%)**	0	0.0%	0.0%
Loss arising from changes in fair value of redeemable convertible preferred shares	**(37,287)**	**(1.7%)**	**(1.9%)**	(145,197)	(9.1%)	(10.6%)
Profit (loss) before taxation	**150,687**	**6.7%**	**7.7%**	(15,079)	(0.9%)	(1.1%)
Taxation	**(29,611)**	**(1.3%)**	**(1.5%)**	(14,657)	(0.9%)	(1.1%)
Profit (loss) for the year	**121,076**	**5.4%**	**6.2%**	(29,736)	(1.9%)	(2.2%)

Comparison of the results of 2011 and 2010:

Revenue

In 2011, revenue of the Group amounted to RMB2,243.754 million (2010: RMB1,601.211 million), representing a growth of 40.1% compared to that of the previous year. Of which, service revenue was RMB1,959.885 million (2010 RMB1,374.424million), representing a year-on-year growth of 42.6%, which was attributed to the constantly expanding customer base and the continuous and diversified development of the Group's main businesses.

In 2011, the Group's revenue and service revenue by contract model are set out as follows:

	Revenue *RMB'000*	**Weight**	**Revenue from service** *RMB'000*	**Weight**
Fixed price	1,284,296	57.2%	1,000,427	51.0%
Time and materials	887,783	39.6%	887,783	45.3%
Quantity-based	71,675	3.2%	71,675	3.7%
Total	2,243,754	100%	1,959,885	100%

Revenue from the Group's four major business lines, namely government and manufacturing, BFSI, IT outsourcing and training in 2011, accounted for 32.4%, 21.8%, 42.8% and 3.0% of the Group's total revenue respectively (2010: approximately 29.5%, 24.5%, 42.7% and 3.3% respectively). The growth in revenue of each business line is set out as follows:

	2011 *RMB'000*	**Weight**	2010 *RMB'000*	Weight	Growth rate
G&M	**726,905**	**32.4%**	471,820	29.5%	54.1%
BFSI	**488,052**	**21.8%**	392,059	24.5%	24.5%
IT outsourcing	**959,458**	**42.8%**	682,917	42.7%	40.5%
Training	**69,339**	**3.0%**	54,415	3.3%	27.4%
Total revenue	**2,243,754**	**100%**	1,601,211	100%	40.1%

Service Revenue for each major business line in 2011 accounted for 29.6%, 17.9%, 49.0% and 3.5% of the Group's total service revenue respectively (2010: approximately 26.5%, 19.8%, 49.7% and 4.0% respectively). The growth in service revenue for each business line is set out as follows:

	2011 *RMB'000*	**Weight**	2010 *RMB'000*	Weight	Growth rate
G&M	**579,534**	**29.6%**	364,431	26.5%	59.0%
BFSI	**351,554**	**17.9%**	272,661	19.8%	28.9%
IT outsourcing	**959,458**	**49.0%**	682,917	49.7%	40.5%
Training	**69,339**	**3.5%**	54,415	4.0%	27.4%
Total service revenue	**1,959,885**	**100%**	1,374,424	100%	42.6%

COST OF MAIN BUSINESSES

In 2011, cost of the Group's main businesses accounted for 67.5% of the revenue (2010: 67.9%), representing a decrease of 0.4% as compared with the same period of the previous year. Cost of main businesses of the Group amounted to RMB1,514.263 million (2010: RMB1,088.007 million), representing an increase of 39.2% year on year.

GROSS PROFIT

In 2011, the Group's gross profit was approximately RMB729.491 million (2010: RMB513.204 million), representing an increase of 42.1% over 2010. In 2011, The Group's gross profit margin was 32.5% (2010: 32.1%), representing an increase of 0.4% as compared with the same period of the previous year. The gross profit margin for service revenue was 37.2% in 2011 (2010: 37.3%), a slight decrease of 0.1% year on year.

In the light of the continued rise in labor cost in recent years, the Group will adopt the following measures to alleviate pressure posted by the rising labor cost:

First, it will continue to strengthen business management, optimize business structure and increase the weight of businesses with high gross profit margin in revenue, so as to improve overall gross profit margin;

Second, it will increase the extent of re-use of technology through continuous R&D input to lower direct cost ratio;

Third, it will set up submission centers in "third-tier cities" to reduce the overall labor costs;

Fourth, it will continue to cultivate and build exclusive personnel and project management teams by continuously enhancing the incentive policy, so as to alleviate pressure posted by the rising labor costs on the Group.

OTHER INCOME, GAINS AND LOSSES

In 2011, other income amounted to RMB46.036 million (2010: RMB35.264 million), representing an increase of 30.5% over the same period of the previous year.

OPERATING EXPENSES

In 2011, selling and distribution costs amounted to RMB148.706 million (2010: RMB94.203 million), representing a growth of 57.9% as compared to 2010 and the proportion of selling and distribution costs in revenue was 6.6% as compared to 5.9% in 2010, representing an increase of 0.7% over the same period of the previous year, which was due to the Group's efforts to introduce the solutions for business and market expansion.

In 2011, administrative expenses amounted to RMB309.278 million in 2011 (2010: RMB241.444 million), representing a year-on-year growth of 28.1%. In 2011, the proportion of administrative expenses in revenue was 13.8%, a decrease of 1.3% compared with 15.1% for 2010. The decrease of the proportion was due to the Group's strengthening in construction to unite the administration platform and saving resources.

In 2011, research and development cost expensed were RMB45.989 million (2010: RMB39.086 million), representing a growth of 17.7% over 2010, and the proportion of research and development costs and expenses in revenue was 2.0%, which was 2.4% in 2010.

EBITDA AND BUSINESS CONTRIBUTION PROFIT

In 2011, the Group recorded an EBITDA of approximately RMB293.184 million (2010: RMB200.836 million), representing an increase of 46.0% over the same period of the previous year. In 2011, EBITDA to revenue was approximately 13.1% (2010: 12.5%), representing a growth of 0.6% over the same period of the previous year. EBITDA to service revenue was approximately 15.0% (2010: 14.6%), representing an increase of 0.4% over the same period of the previous year.

In 2011, business contribution profit amounted to RMB323.380 million (2010: RMB233.687 million), representing an increase of 38.4% over the past year. In 2011, the business contribution profit margin dropped by 0.2% over the same period of 2011 to 14.4% (2010: 14.6%). Business contribution profit margin based on service revenue was 16.5% (2010: 17.0%), representing a decrease of 0.5% over the same period of 2010.

FINANCE COSTS AND INCOME TAX

In 2011, finance costs accounted for 1.1% of the revenue, representing an increase of 0.6% compared with 0.5% in the corresponding period of 2010. Finance costs of the year amounted to RMB23.898 million (2010: RMB8.102 million), representing an increase of 195.0% over 2010, which was due to the increase of interests on convertible bonds and interest rates of borrowings denominated in RMB. As the convertible bonds were issued on 29 November 2010, interest on convertible bonds of RMB12.666 million was credited to the profit and loss in 2011, representing a substantial increase as compared with the interest on convertible bonds of RMB1.631 million in 2010. In 2011, due to the increase in interest rates of borrowings denominated in RMB, other interests amounted to RMB11.232 million, representing an increase of 73.6% as compared with the interest of RMB6.471 million in 2010.

In 2011, income taxes accounted for 1.3% of the revenue, representing an increase of 0.4% compared with 0.9% in the corresponding period of 2010. Income taxes of the year amounted to RMB29.611 million (2010: RMB14.657 million), representing an increase of 102.0% over 2010, which was mainly due to the taxation rate for certain companies under the Group was increased after the change in the expiry of preferential tax policy.

OTHER NON-CASH EXPENSES

In 2011, depreciation of property, plant and equipment to revenue was 1.7%, a decrease of 0.5% as compared with 2.2% in the same period of 2010. Depreciation of property, plant and equipment amounted to RMB39.047 million (2010: RMB35.377 million), representing a increase of 10.4% over 2010.

In 2011, amortization of intangible assets and prepaid lease payments to revenue was 2.1%, a increase of 0.2% as compared with 1.9% in the same period of 2010. Amortization of intangible assets amounted to RMB47.514 million (2010: RMB29.889 million), representing an increase of 59.0% over 2010, primarily due to the increase in amortization of intangible assets of mobile internet business arising from the new acquisition.

In 2011, share option expenses to revenue was 1.1%, a decrease of 0.6% as compared with 1.7% in the same period of 2010. Share option expenses amounted to RMB24.861 million (2010: RMB27.669 million), representing a decrease of 10.1% over 2010.

In 2011, allowance for doubtful debt to revenue was 0.8%, a increase of 0.3% as compared to 0.5% over the same period of 2010. Allowance of doubtful debt amounted to RMB17.417 million (2010: RMB8.276 million), representing an increase of 110.4% over the same period of 2010, which was due to the increase in provision of doubtful debts of the solution business line.

In 2011, loss on deemed disposal of associates was RMB105,000 (2010: nil), representing 0.005% of its revenue.

In 2011, gain arising from changes in fair value of contingent consideration payable on acquisition of a business was RMB71.718 million (2010: nil), representing 3.2% of its revenue, slightly higher than the relevant impairment loss of RMB68.982 million in respect of goodwill araised (2010: nil) represented 3.1% of its revenue.

In 2011, loss arising from changes in fair value of redeemable convertible preferred shares to revenue was 1.7%, a significant decrease of 7.4% as compared with 9.1% in the same period of 2010. Loss arising from changes in fair value of redeemable convertible preferred shares amounted to RMB37.287 million (2010: RMB145.197million), representing an decrease of 74.3% over the same period of last year, mainly attributable to the significant decrease in the fair value of redeemable convertible preferred shares resulting from the little fluctuations in share price over the same period in 2011.

PROFIT FOR THE YEAR AND EARNINGS PER SHARE

In 2011, excluding the effect of loss arising from changes in fair value of redeemable convertible preferred shares, gain arising from changes in fair value of contingent consideration payable on acquisition of a business, impairment loss recognised in respect of goodwill loss on deemed disposal of associates, the Group recorded a profit for the year of RMB155.732 million (2010: RMB115.461 million), representing an increase of 34.9%. Profit for the year to revenue was approximately 6.9% (2010: 7.2%), representing a decrease of 0.3% over the same period of last year; profit for the year to service revenue was approximately 7.9% (2010: 8.4%), representing a decrease of 0.5% over the same period of last year.

Based on the profit for the years, in 2011, in regards to the profit for the year as aforesaid, profit for the year attributable to the owners of the Group amounted to RMB145.250 million (2010: RMB105.064 million), representing an increase of 38.3% over the same period of last year. Based on the profit for the year attributable to the owners of the Group, earnings per share for 2011 amounted to approximately RMB0.1076 (2010: RMB0.0987), representing an year-on-year increase of 9.0%.

DIRECTORS' SERVICE CONTRACTS

Dr. Chen Yuhong and Dr. Cui Hui have each entered into a service agreement with the Company. Particulars of these contracts, except as indicated, are in all material respects identical and are set out below:

(i) each 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 and Dr. Cui Hui 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 the two Directors shall be determined by the board of Directors but shall not be more than 120 percent of the annual salary of such Director for the preceding year;

(iii) Dr. Chen Yuhong and Dr. Cui Hui are each 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) each such Director 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, Dr. Song Jun, 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. Zhao John Huan, Dr. Zhang Yaqin, Dr. Song Jun, 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 and Mr. Xu Zeshan have not entered into any service agreements as independent non-executive Directors with the Group. The monthly remuneration for Dr. Leung Wing Yin Patrick is HK$10,000. Mr. Xu Zeshan receives 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 2011, 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 Directors	Total No. of Ordinary Shares	Approximate percentage of total issued ordinary share capital of the Company as at 31 December 2011
Zhao John Huan	271,476,453	16.73%
Chen Yuhong	115,320,136	7.11%
Tang Zhenming	11,747,765	0.72%
Jiang Xiaohai	6,872,447	0.42%
Wang Hui	6,277,838	0.39%
Zeng Zhijie	300,000	0.02%

Options to subscribe for Shares

Name of Director	Exercise Price *(HK$)*	No. of share options outstanding as at 1 January 2011	No. of share options exercised during the year	No. of share options outstanding as at 31 December 2011	Percentage of total issued ordinary share capital of the Company as at 31 December 2011	No of underlying ordinary shares interested in	Note
Chen Yuhong	1.78	3,800,000	(3,800,000)	–	0.00%	–	(5)
	1.37	5,000,000	(5,000,000)	–	0.00%		(6)
Cui Hui *(Note 1)*	0.65	500,000	–	500,000	0.03%	500,000	(3)
Tang Zhenming	0.58	80,000	–	80,000	0.00%	4,180,000	(2)
	0.65	1,300,000	–	1,300,000	0.08%		(3)
	0.97	800,000	–	800,000	0.05%		(4)
	1.78	2,000,000	–	2,000,000	0.12%		(5)
	1.37	2,000,000	(2,000,000)	–	0.00%		(6)
Wang Hui	0.65	250,000	(250,000)	–	0.00%	1,200,000	(3)
	0.97	1,000,000	(1,000,000)	–	0.00%		(4)
	1.78	2,000,000	(800,000)	1,200,000	0.07%		(5)
	1.37	1,150,000	(1,150,000)	–	0.00%		(6)
Zeng Zhijie	1.78	450,000	–	450,000	0.03%	450,000	(5)

Notes:

(1) Dr. Cui Hui retired as a Non-executive Director of the Company on 18 May 2011.

(2) 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

(3) 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

(4) 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

(5) 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

(6) These share options were offered on 14 April 2008 under the Share Option Scheme and accepted on 12 May 2008. These share options are exercisable for a period of 3 years from the date of offer, subject to the following conditions:

Exercisable Period Commencing	**Ending**	**Number of share options exercisable**
14/04/2008	13/04/2011	50% of the total number of share options granted
14/04/2009	13/04/2011	50% 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 2011 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 2011, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2010 (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 2011, 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 2011, save as disclosed above, none of the Directors was granted any options to subscribe for shares of the Company. As at 31 December 2011, 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 2011, 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 2011.

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, 2011, 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	271.48	16.73%	15.61%
Hony Capital Fund 2008, L.P. *(Note 1)*	Interest of controlled corporation	271.48	16.73%	15.61%
Hony Capital Fund 2008 GP L.P. *(Note 1)*	Interest of controlled corporation	271.48	16.73%	15.61%
Hony Capital Fund 2008 GP Limited *(Note 1)*	Interest of controlled corporation	271.48	16.73%	15.61%
Hony Capital Management Limited ("Hony Capital") *(Note 1)*	Interest of controlled corporation	271.48	16.73%	15.61%
Zhao John Huan *(Note 2)*	Interest of controlled corporation	271.48	16.73%	15.61%
Right Lane Limited *(Note 2)*	Interest of controlled corporation	271.48	16.73%	15.61%
Legend Holdings Limited ("Legend Holdings") *(Note 3)*	Interest of controlled corporation	271.48	16.73%	15.61%
Chinese Academy of Sciences Holdings Co., Ltd. *(Note 4)*	Interest of controlled corporation	271.48	16.73%	15.61%

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
Chinese Academy of Sciences *(Note 4)*	Interest of controlled corporation	271.48	16.73%	15.61%
Beijing Lian Chi Zhi Yuan Management Consulting Center *(Note 5)*	Interest of controlled corporation	271.48	16.73%	15.61%
Beijing Lian Chi Zhi Tung Management Consulting Ltd. *(Note 5)*	Interest of controlled corporation	271.48	16.73%	15.61%
Greater Pacific Capital Partners, LP ("GPC") *(Note 6)*	Beneficial interest	119.27	7.35%	6.86%
EJF Capital LLC ("EJF") *(Note 7)*	Beneficial interest	116.40	7.18%	6.70%
Far East Holdings International Limited ("Far East Holdings") *(Note 8)*	Beneficial interest	113.99	6.99%	6.52%
China National Computer Software & Information Technology Service Corporation (Hong Kong) Limited ("CS&S(HK)") *(Note 9)*	Beneficial interest	100.32	6.18%	5.77%
Chinasoft National Software and Service Company Limited ("CNSS") *(Note 9)*	Interest of controlled corporation	100.32	6.18%	5.77%
Microsoft Corporation ("Microsoft") *(Note 10)*	Beneficial interest	97.25	5.99%	5.59%

* The total number of issued share consists of 1,622,228,659 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. EJF is an investment advisor registered under the Securities and Exchange Commission of the United States of America. EJF is interested in 116,404,949 Ordinary Shares which could be issued upon the full conversion of the Convertible Notes in the principal amount of RMB 200 million took place on 29 November 2010.

8. Far East Holdings is interested in 113,989,822 Ordinary Shares.

9. CNSS is taken to be interested in the Shares in which CS&S(HK) is interested. CNSS holds approximately 99.3% of the total voting rights of CS&S(HK).

10. Microsoft is interested in 97,250,000 Ordinary Shares which were converted on 30 Deccember 2011 from 97,250,000 series A preferred shares allotted and issued on 6 January 2006.

Save as disclosed above, as at 31 December 2011, 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 2011, 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 Code on Corporate Governance Practices 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 2011, the audit committee comprised of three independent non-executive Directors, Mr. Zeng Zhijie, Dr. Leung Wing Yin Patrick and Mr. Xu Zeshan. 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 2011.

The Group's unaudited interim results and audited annual results during the year ended 31 December 2011 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 purchased, 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 Code on Corporate Governance Practices of the Listing Rules (the "Code") have served as guideposts for the Company to follow in its implementation of corporate governance measures.

In the opinion of the Board, the Company has complied with the code provisions set out in the Code throughout the year ended 31 December 2011 save for the deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarized below.

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 2011 (2010: 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, 16 May 2012 to Friday, 18 May 2012, 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 Friday, 18 May 2012. 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 2012

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, Mr. JIANG Xiaohai

Non-executive Directors:
Mr. ZHAO John Huan, Dr. ZHANG Yaqin, Dr. SONG Jun, Mr. LIN Sheng, Ms SHEN Lipu

Independent Non-executive Directors:
Mr. ZENG Zhijie, Dr. LEUNG Wing Yin, Mr. XU Zeshan

* *For identification purposes only*