

## Business transformation paves way for the future

Rating	Trading BUY
Target	HK\$3.93
Current	HK\$3.13 <span style="float: right;">Upside:25.7%</span>

### Transforming from product-based to services-based model

We have discussed with the management on Sinosoft recent business development. Management shared with us that Sinosoft has upgraded and increased its product offerings to include more data analytics in each business segments, which we believe they would like to transform from a product-based business model to a platform/services-based model. By leveraging through its leading position in the exports tax, carbon management and government sectors, particularly in the judiciary, Sinosoft will be putting more focuses on expanding its cloud and big data services to current and potential clients .

For instance, on the tax software and related services, Sinosoft offer comprehensive export tax rebate risks control solutions for large foreign trade integrated service providers. In addition, they also teamed up with several financial institutions (such as banks) in Jiangsu, and launched financing services based on analysis in export tax rebate data and other trade related services in 2017, which helped small export companies shorten the time to secure banking facilities.

### Partners with Huawei Cloud and Alibaba Cloud to promote low carbon & ecology product ;

Sinosoft not only launched provincial low carbon ecology cloud platform which serves the government and enterprises etc, but also launched products such as environmental rights trading platform and low carbon transportation software. Products are currently sold in Jiangsu, Inner Mongolia Autonomous Region, Jilin and Heilongjiang Province. Sinosoft announced on Apr 6 that they recently co-operate with Huawei Cloud to promote low carbon & ecology products. Sinosoft is currently the only partner of Huawei Cloud, which reflects Sinosoft's leadership in this segment.

### Government Big Data segment to outperform industry

Sinosoft has been engaging in the development and the sale of previously called e-Government solutions since 2002. These products are used by government agencies at various administrative levels, including the ministerial, provincial, municipal and district levels, in Jiangsu and other provinces of China. We believe Sinosoft's segment revenue growth would continue to outperform overall industry growth (2016-2018 to grow at ~17% CAGR to RMB340bn in 2018), driven by **i) service cloud platform expansion from provincial government to municipal government, ii) selling to other cities outside Jiangsu province and iii) leading player in the industry especially in judiciary (won 4 related tenders since Sept 2017)**

### Undemanding FY18E 12.4x PE, deserve a re-rating story

Though Sinosoft share price rocketed ~40% in the past month, it is trading at 12.4x FY18E PE, 60% discount to Hong Kong, A-share and US listed software peers. Sinosoft has been delivering decent/solid track record since listing (~23% EPS CAGR in FY13-FY17), we expect both revenue and EPS to grow at 23%/24% CAGR in FY17-FY20E, together with upside catalysts ahead which include **i) More in depth co-operation with Huawei Cloud and Alibaba Cloud ;ii) Successful expansion of new businesses outside Jiangsu and iii) Solid 1H18 result regaining investors' confidence**, we believe Sinosoft deserve a re-rating opportunity. We value Sinosoft at HK\$3.93, which implies FY18E 17.1x PE (55% discount to peers)

## Flash Note

24 April 2018

### Hayman Chiu

hayman.chiu@cinda.com.hk  
(852) 2235 7677

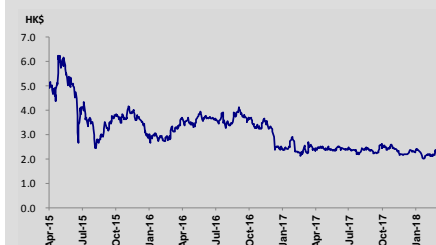
### Trading data

52-Week Range (HK\$)	3.78/1.96
3 Mth Avg Daily Vol (m)	5.42
No. of Shares (m)	1,31.86
Market Cap (HK\$m)	3,966.6
Major Shareholders (%)	Xin Yingmei (46.3%) Alibaba (13.32%) Fidelity (7.95%)
Auditors	Baker Tilly
Result Due	1H18:Aug 2018

### Company description

Established in 1998 and listed in HKEx in 2013, Sinosoft is one of the leading providers of application software products and solutions in the PRC. Sinosoft principally develop and market software and solutions, namely export tax software and related services, Government Big Data software and related services, and low-carbon and ecology software and related services.

### Price chart



Sources: Bloomberg, CIRL

### \* Note:

**FLASH NOTE** represent short-term trading ideas by Cinda International Research which are distinguished from our normal coverage. The recommended stocks may not be continually followed.

## Transforming from product-based to services-based model

We have discussed with the management on Sinosoft recent business development. Management shared with us that Sinosoft has upgraded and increased its product offerings to include more data analytics in each business segments, which we believe they would like to transform from a product-based business model to a platform/services-based model. By leveraging through its leading position in the exports tax, carbon management and government sectors, particularly in the judiciary, Sinosoft will be putting more focuses on expanding its cloud and big data services to current and potential clients .

For instance, on the tax software and related services Sinosoft offer comprehensive export tax rebate risks control solutions for large foreign trade integrated service providers. In addition, they also teamed up with several financial institutions (such as banks) in Jiangsu, and launched financing services based on analysis in export tax rebate data and other trade related services in 2017, which helped small export companies shorten the time to secure banking facilities, hence easing their short-term liquidity needs. Management also shared with us that the addressable market is expected to be larger than its product-based business model, we expect management to give more meaningful colours on financing services in 1H18 result.

**Exhibit 1: Export tax software & e-Government solutions accounted for ~80% of Sinosoft's segment results in FY13-FY17**

Year to Dec (RMB\$ mn)	FY16A	FY17A	FY18E	FY19E	FY20E
<b>Segment Revenue</b>					
Tax software and related services	135	153	183	209	242
Govt & big-data software and services	236	291	363	456	569
Low carbon & ecology software and related services	99	113	130	149	170
Information integration software	0	0	0	0	0
System Integration solutions	49	43	43	40	39
<b>Group</b>	<b>519</b>	<b>601</b>	<b>719</b>	<b>854</b>	<b>1,020</b>
<b>Segment Revenue Growth (YoY)</b>					
Tax software and related services	10.9%	13.9%	<b>19.0%</b>	<b>14.6%</b>	<b>15.8%</b>
Govt & big-data software and services	28.8%	23.2%	<b>25.0%</b>	<b>25.6%</b>	<b>24.6%</b>
Low carbon & ecology software and related services	14.8%	14.1%	<b>14.5%</b>	<b>14.5%</b>	<b>14.5%</b>
Information integration software	-	-	-	-	-
System Integration solutions	8.0%	-11.0%	<b>-1.5%</b>	<b>-6.2%</b>	<b>-3.9%</b>
<b>Group</b>	<b>18.9%</b>	<b>15.8%</b>	<b>19.6%</b>	<b>18.9%</b>	<b>19.4%</b>
<b>Segment results</b>					
Tax software and related services	119	125	149	171	198
Govt & big-data software and services	118	151	189	238	296
Low carbon & ecology software and related services	43	58	67	76	88
System Integration solutions	1	1	1	1	1
<b>Group</b>	<b>279</b>	<b>336</b>	<b>406</b>	<b>487</b>	<b>584</b>
<b>Segment margin</b>					
Tax software and related services	88.0%	81.5%	<b>81.5%</b>	<b>81.5%</b>	<b>81.5%</b>
Govt & big-data software and services	49.8%	52.1%	<b>52.1%</b>	<b>52.1%</b>	<b>52.1%</b>
Low carbon & ecology software and related services	42.9%	51.4%	<b>51.4%</b>	<b>51.4%</b>	<b>51.4%</b>
Information integration software					
System Integration solutions	1.3%	2.0%	<b>2.0%</b>	<b>2.0%</b>	<b>2.0%</b>
<b>Group</b>	<b>53.8%</b>	<b>55.9%</b>	<b>56.5%</b>	<b>56.9%</b>	<b>57.3%</b>

Sources: Company Data, CIRC estimates

Sinosoft announced on Mar 21 that they would set up a JV with Focus Technology (002315 CH) and Sample Technology (1708.HK) to provide information services such as full trade process operations, data management, and decision analysis for import and export enterprises. The proposed total registered capital of the Joint Venture shall be RMB10mn in which Sinosoft would hold 65% in the JV, while Focus Technology and Sample Technology each would hold 17.5% stake. The JV plans to provide services for import and export enterprises, foreign trade integrated service providers, their related corporations from upstream and downstream, and financial institutions, etc. The services for trade-related enterprises mainly include matching for supply chain, assessment on industry conditions, assessment on enterprises' qualifications and credit from upstream and downstream, and matching for financing, etc. The services for financial institutions mean assisting them in risk control model design, identifying and dealing with potential loan risks etc.

The Group is the leading export tax rebate software and services provider with > 15 years of experience in export industry. With its in-depth understanding in logical relations between export market conditions and enterprises' rebate process, the Group is able to provide comprehensive solutions for enterprises in areas such as tax planning and trade format selection. Focus Technology is a leading e-commerce platform company which has the capability in analyzing qualities and operating conditions of e-commerce companies and can provide comprehensive solutions for enterprises in different parts of the supply chain such as supplier management, corporate image packaging, and overseas buyers' recommendation. Sample Technology, which possesses various solutions for customs and logistics, is skilled in operating different integrated trade services such as customs declaration and inspection. It understands the difficulties for trading among medium and small export enterprises and has ample experience in optimizing trade process as well as shortening trading cycles.

## **Partners with Huawei Cloud and Alibaba Cloud to promote low carbon & ecology product**

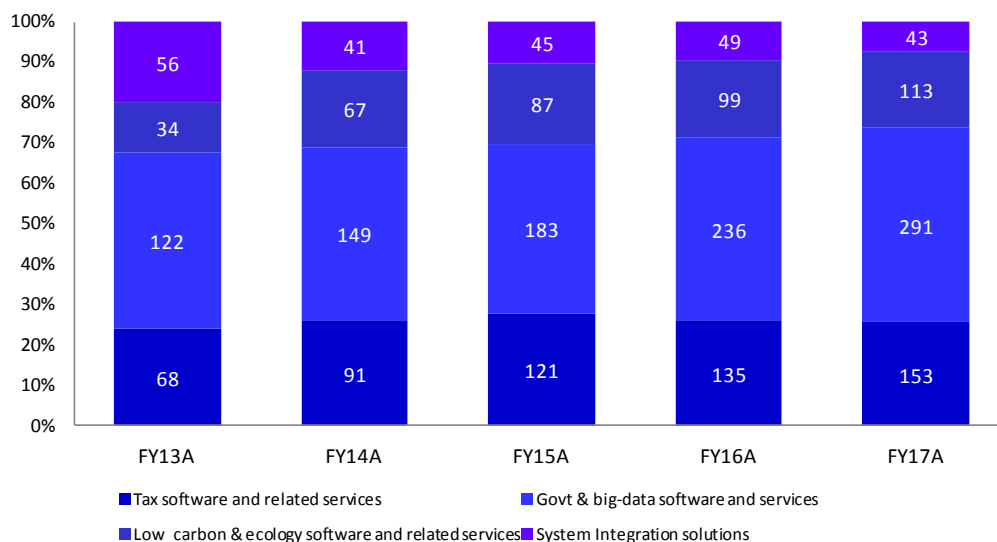
Sinosoft began to develop a series of carbon management solutions in 2009, which made them the pioneer software company tapped into the low carbon area. These software solutions help government agencies and enterprises to audit, calculate and control their greenhouse gas emission and energy consumption. These solutions help to increase the visibility of the pattern of carbon emissions and energy consumption, improve the decision making process and thereby helping to increase operational efficiency and prepare for the carbon trading market

Sinosoft not only launched provincial low carbon ecology cloud platform which serves the government and enterprises etc, but also launched products such as environmental rights trading platform and low carbon transportation software. These products are currently sold in Jiangsu, Inner Mongolia Autonomous Region, Jilin and Heilongjiang Province. Management shared with us that they are in the stage of building up customer base in FY18E and we believe the building up process lays a good foundation for future growth when Sinosoft further provides carbon asset management system for enterprise through SaaS platform.

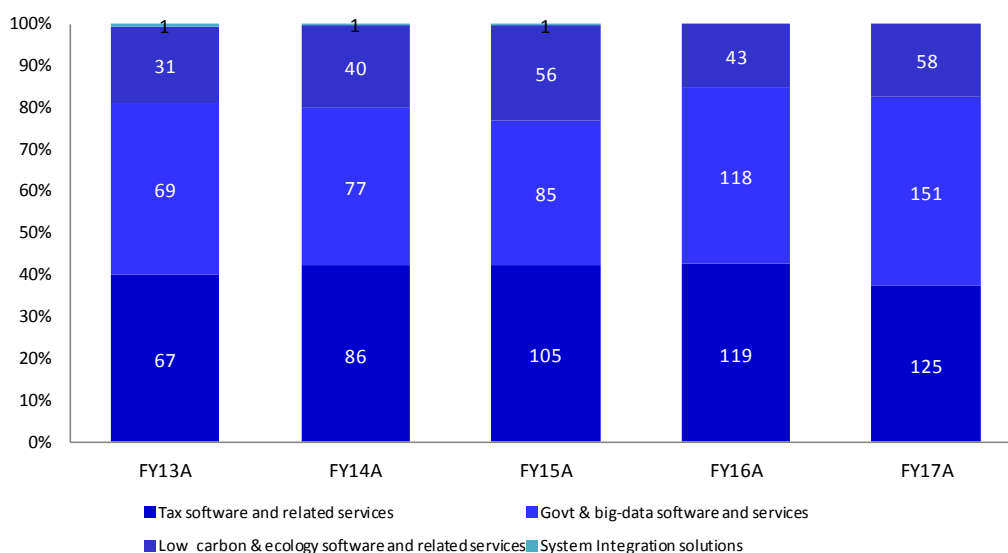
Sinosoft announced on Apr 6 2017 that they recently co-operate with Huawei Cloud to promote low carbon & ecology products. Sinosoft is currently the only partner of Huawei Cloud, which reflects Sinosoft's leadership in this segment. We expect Sinosoft to have more in-depth co-operation with Huawei Cloud in other business segments going ahead.

To re-cap, Sinosoft also formed strategic partnership with Alibaba Cloud in back in April 2016 to leverage on their technology to intensify the implementation of low carbon cloud in other provinces. In Nov 2016, Sinosoft announced that Alibaba Group, Art Financial Services Group and Jiangsu Provincial Government has reached a strategic cooperation agreement, Sinosoft expects both parties will join forces to develop more solutions including "low carbon cloud", "ecology cloud", "intelligent judicial cloud" and "intelligent manufacturing"

In Oct 2017, Sinosoft has won the bid for "Yun Shang Jian Ye" 「雲尚建鄴」 project in Nanjing, in which the 1<sup>st</sup> phase of the project is valued at approximately RMB 33 million. This project will be jointly developed by Sinosoft, and Alibaba Cloud. Both parties will join forces and develop information applications with elements such as government services, public information management, economic management and big data analysis. Leveraging on years of experience in the e-Government industry, the Group has developed many competitive software products. Combining Alibaba Cloud's significant advantage in cloud computing, both parties will develop a comprehensive "Yun Shang Jian Ye", and set the benchmark in emerging areas such as "Internet +", artificial intelligence innovative development and data economy.

**Exhibit 2: Tax software, Government & big data software and related services accounted for ~70% of Sinosoft's revenue in FY13-FY17**


Source: Company data, CIRL

**Exhibit 3: Export tax software & e-Government solutions accounted for ~80% of Sinosoft's segment results in FY13-FY17**


Sources: Company Data, CIRL

## Government & Big Data segment to outperform industry

Sinosoft has been engaging in the development and the sale of previously called e-Government solutions since 2002. These products are used by government agencies at various administrative levels, including the ministerial, provincial, municipal and district levels, in Jiangsu and other provinces of China.

These solutions are designed to speed up information exchange among government agencies; to enhance the accessibility of governmental information and services to citizens and enterprises; to improve the services provided by the government; to enhance the transparency of government operations; and to standardize, simplify and streamline government operations and approval processes etc.

Sinosoft announced in Oct 2017 that the Company has just won the bid for public legal services network of China for Ministry of Justice (**The public legal services network**). The Public Legal Services Network of China is the highest level design for informatization in public legal services. Through consolidating public legal services resources across the country and public legal services platforms of different provinces and municipals, it will form a public legal services resources pool, which can provide convenient, fair and efficient one-stop public legal services for citizens, as well as data support and evidence for decision making for different judicial administrative departments in regulating legal services institutions.

The Ministry of Justice has published the “Establishment Guide for 12348 Legal Network of China (Public Legal Services Network of China)”, which defined this platform as the basis for coordinating public legal services standards and technical specifications across the country, as well as the outline for public legal services informatization construction for different provinces and municipals. The Public Legal Services Network of China is an important direction for judicial reform in China and will significantly enhance the capability in judicial administration and public.

Furthermore, the 19th National Congress of the Communist Party of China proposed the full implementation for the basic principle of the rule of law and made significant deployment for functions of the Ministry of Justice (司法部), including revoking the Legislative Affairs Office (法制辦公室) under the State Council and incorporating its functions to the Ministry of Justice. According to the plan approved at the ongoing first session of the 13th National People's Congress, China's national legislature adopted the plan on institutional restructuring of the State Council on March 17. The newly integrated Ministry of Justice, serving as a government functional department under the State Council, has clear duties for implementing public legal services and promoting the rule of law.

In addition to the 12345 Public Service Platform and the 12366 Tax Service Platform, the Ministry of Justice's 12348 China Legal Network (Public Legal Service Platform) will serve as another national service platform led by the government's functional department, for enterprises and the public across the country. Given the high demand for judicial informatization in the country

We believe Sinosoft's segment revenue growth would continue to outperform overall industry growth (2016-2018 to grow at ~17% CAGR to RMB340bn in 2018 according to Intelligence Research Group), driven by **i) service cloud platform expansion from provincial government to municipal government, ii) selling to other cities outside Jiangsu province and iii) leading player in the industry especially in judiciary (won 4 related tenders since Sept 2017). Judicial and public security related products are sold to >10 provinces in China including Hebei, Tianjin, Gansu, Fujian, Hubei, Qinghai and Inner Mongolia Autonomous Region.**

**Exhibit 4: Financial statement**
**Income statement**

Year to Dec (RMB mn)	FY16A	FY17A	FY18E	FY19E	FY20E
<b>Revenue</b>	<b>519</b>	<b>601</b>	<b>719</b>	<b>854</b>	<b>1,020</b>
Gross profit (reported)	342	381	455	540	643
<b>EBITDA</b>	<b>226</b>	<b>258</b>	<b>288</b>	<b>344</b>	<b>417</b>
Depreciation	(5)	(6)	(6)	(8)	(9)
<b>EBIT</b>	<b>221</b>	<b>252</b>	<b>282</b>	<b>337</b>	<b>408</b>
Net interest income (exp.)	0	0	0	0	0
Associates	0	0	0	0	0
Exceptionals/others	0	0	0	0	0
<b>Profit before tax</b>	<b>221</b>	<b>252</b>	<b>282</b>	<b>337</b>	<b>408</b>
Tax expenses	30	23	32	38	46
Minority interest	2	3	4	5	6
<b>Net profit</b>	<b>191</b>	<b>230</b>	<b>250</b>	<b>299</b>	<b>362</b>
Dividends	(38)	(41)	(49)	(58)	(69)

**Balance sheet**

Year to Dec (RMB mn)	FY16A	FY17A	FY18E	FY19E	FY20E
Cash & equiv	296	240	376	444	565
Trade receivables	607	814	907	1,118	1,334
Other receivables	0	0	0	0	0
Inventories	13	2	2	3	3
Other current assets	0	0	0	0	0
Fixed assets	107	103	97	91	82
Intangible assets	201	223	223	223	223
Investment, associates etc	17	16	16	16	16
<b>Total assets</b>	<b>1,240</b>	<b>1,398</b>	<b>1,622</b>	<b>1,894</b>	<b>2,224</b>
Account payables	80	79	90	108	129
Other payables	66	80	80	80	80
Short-term debt	0	0	0	0	0
Other current liabs	16	17	17	17	17
Long-term debts	0	0	0	0	0
Deferred tax and others	43	42	42	42	42
Other long-term liabs	0	0	0	1	2
<b>Total liabilities</b>	<b>205</b>	<b>217</b>	<b>228</b>	<b>247</b>	<b>269</b>
Share capital	10	10	10	10	10
Reserves	1,025	1,171	1,384	1,638	1,945
<b>Shareholders' equity</b>	<b>1,035</b>	<b>1,181</b>	<b>1,394</b>	<b>1,648</b>	<b>1,955</b>
Minorities	0	0	0	0	0
<b>Total equity</b>	<b>1,035</b>	<b>1,181</b>	<b>1,394</b>	<b>1,648</b>	<b>1,955</b>
Net cash (debt)	296	240	376	444	565

**Cash flow**

Year to Dec (RMB mn)	FY16A	FY17A	FY18E	FY19E	FY20E
Pre-tax profit	190	221	252	282	337
Taxes paid	30	30	23	32	38
Depreciation	5	5	6	6	8
Associates	0	0	0	0	0
CFO bef. WC change	226	256	281	320	382
Change in working cap	(188)	(197)	(83)	(194)	(196)
<b>Cashflow from operation</b>	<b>38</b>	<b>60</b>	<b>198</b>	<b>126</b>	<b>187</b>
CAPEX	(206)	(140)	(162)	(193)	(229)
<b>Free cash flow</b>	<b>(168)</b>	<b>(80)</b>	<b>36</b>	<b>(67)</b>	<b>(43)</b>
Dividends	(32)	(38)	(41)	(49)	(58)
Balance sheet adj.	112	63	140	184	222
Shares issued	0	0	0	0	0
Others	0	0	0	0	0
<b>Net cash flow</b>	<b>(88)</b>	<b>(55)</b>	<b>135</b>	<b>68</b>	<b>121</b>
Net cash (debt) start	383	296	240	376	444
Net cash (debt) at year-end	296	240	376	444	565

**Ratios**

Year to Dec	FY16A	FY17A	FY18E	FY19E	FY20E
<b>Growth rate (%)</b>					
Revenue	18.9	15.8	19.6	18.9	19.4
EBITDA	16.0	13.9	11.8	19.5	21.2
EBIT	16.6	14.0	11.7	19.4	21.2
Net profit	20.0	20.0	8.9	19.4	21.2
Fully diluted EPS	-2.5%	24.1%	9.5%	23.4%	21.2%
<b>Margins (%)</b>					
Gross margin (reported)	65.8	63.4	63.3	63.2	63.0
EBITDA	43.6	42.9	40.1	40.3	40.9
EBIT	42.6	42.0	39.2	39.4	40.0
Net margin	36.9	38.2	34.8	35.0	35.5
<b>Other ratios</b>					
ROE (%)	18.5	19.4	18.0	18.1	18.5
ROA (%)	15.4	16.4	15.4	15.8	16.3
Net gearing (%)	(28.6)	(20.3)	(27.0)	(26.9)	(28.9)
Interest coverage (x)	-	-	-	-	-
Receivables days	427.1	494.3	460.7	477.5	477.5
Payables days	165.3	131.7	124.8	124.8	124.8
Inventory days	26.3	3.3	3.1	3.1	3.1
Effective tax rate (%)	(13.5)	(9.0)	(11.2)	(11.2)	(11.2)

Source: Company data, CIRL estimates

**Exhibit 8: Sinosoft's 12 month Forward P/E Ratio**


Source: Bloomberg, CIRL

---

## Share buybacks reflects management confidence

Sinosoft has carried out 4 share buybacks which accounted for 0.73% of issued share capital (with an average price HK\$ 2.80) since April 4, which reflects management's confidence in Sinosoft. We expect management would continue to carry out share buybacks in the near term as sector retreated on worries market worries that the Office of the U.S. Trade Representative (USTR) is considering a new complaint against China to retaliate for restrictions on high tech sectors, like cloud computing.

Currently, U.S. cloud-computing firms such as Amazon and Microsoft, must operate jointly with Chinese companies and license their technology to the Chinese partners in China. The USTR has argued Beijing restricts licenses that would allow U.S. firms to operate independently, preventing U.S. companies from marketing their services or signing up customers in China. This led to HK-listed sector players such as Kingdee (268.HK) and Chinasoft (354.HK) share price corrected ~15% from its recent peak, while Sinosoft's share price was also down as much as 23% from its peak. However, Sinosoft has been generating all of its revenue from China, hence the above mentioned issue would not impact Sinosoft.

## Undemanding FY18E 12.8x PE, deserve a re-rating story

Though Sinosoft share price rocketed ~40% in the past month, it is still underperforming in the last 12 months when compared with HK listed peers such as Kingdee (268.HK) and Chinasoft (354.HK). The counter is trading at 12.8x FY18E PE, 60% discount to Hong Kong, A-share and US listed software peers. Sinosoft has been delivering decent/solid track record since listing (~23% EPS CAGR in FY13-FY17), we expect both revenue and EPS to grow at 23%/24% CAGR in FY17-FY20E, together with upside catalysts ahead which include **i) More in depth co-operation with Huawei Cloud and Alibaba Cloud ;ii) Successful expansion of new businesses outside Jiangsu, iii) share buybacks and iv) Solid 1H18 result further regaining investors' confidence**, we believe Sinosoft deserve a re-rating opportunity. We value Sinosoft at HK\$4.36, which implies FY18E 19.0x PE (50% discount to peers and Sinosoft's 5-yr historical average)

**Exhibit 5: Peer comparison**

	bloomberg code	Mkt Cap (HKD mn)	Price (HKD)	Share Price Movement (%)			PER (x)					P/S (x)				
				1M	1YR	YTD	FY15	FY16	FY17	FY18E	FY19E	FY15	FY16	FY17	FY18E	FY19E
<b>HK Listed</b>																
<b>Software / Internet service</b>																
TENCENT	700 HK	3,744,258	394.00	(6.2)	66.7	(3.0)	103.1	76.9	44.9	35.4	26.8	29.5	21.1	13.6	8.9	6.7
CHINA LITERATURE	772 HK	61,908	68.30	(7.7)	N/A	(18.1)	-106.5	1,168.6	79.9	52.5	34.7	31.2	20.7	13.1	8.7	6.4
MEITU INC	1357 HK	36,168	8.46	(10.4)	(23.8)	(22.2)	-0.6	-2.4	-146.6	47.0	23.4	39.5	19.6	6.9	3.6	2.5
ZHONGAN ONLINE-H	6060 HK	85,543	58.20	(5.2)	N/A	(16.0)	1,179.2	4,978.9	-65.5	359.3	71.1	27.6	21.4	13.3	6.8	4.3
CAR INC	699 HK	16,355	7.61	11.7	4.0	11.1	10.4	10.6	16.9	19.1	15.3	2.6	2.2	1.8	1.7	1.5
TRAVELSKY TECH-H	696 HK	64,669	22.10	(10.2)	14.9	(5.8)	27.6	22.8	24.9	19.2	16.4	9.6	8.9	8.3	6.7	6.0
KINGSOFT CORP	3888 HK	32,901	23.95	(8.8)	18.3	(7.9)	66.9	-97.6	8.4	16.6	12.5	4.7	7.3	5.5	3.7	2.8
CHINASOFT INTL	354 HK	15,288	6.36	4.8	40.8	22.5	36.7	26.7	23.4	17.3	13.9	2.4	1.9	1.4	1.1	0.9
KINGDEE INTLSFT	268 HK	22,590	7.42	0.0	137.1	68.6	157.4	63.6	58.2	49.5	36.7	12.1	10.4	8.5	6.4	5.1
COGOBUY GROUP	400 HK	5,503	3.74	(14.8)	(65.8)	(9.9)	11.8	9.2	15.6	-	-	0.5	0.4	0.5	-	-
HC INTERNATIONAL	2280 HK	6,044	5.39	(5.8)	(23.0)	(5.9)	62.8	24.5	17.6	12.9	9.2	5.3	2.6	1.4	0.6	0.3
DIGITAL CHINA	861 HK	6,810	4.06	(3.8)	(34.3)	(23.5)	6.9	12.3	-13.9	26.5	16.0	0.6	0.6	0.5	0.4	0.4
PACIFIC ONLINE	543 HK	1,361	1.20	2.6	(36.2)	(14.3)	6.1	7.7	11.2	-	-	1.0	1.2	1.2	-	-
CHANJET INFO-H	1588 HK	2,958	13.62	9.3	22.5	22.0	-32.0	-19.2	10.8	32.2	19.2	6.9	5.9	5.1	4.3	3.7
CAPINFO CO LTD-H	1075 HK	1,435	0.50	0.0	(25.0)	(1.0)	11.5	11.2	15.3	-	-	1.3	1.3	1.2	-	-
A8 NEW MEDIA	800 HK	1,151	0.43	(9.6)	(11.5)	(11.5)	26.5	28.0	36.8	47.2	-	6.4	6.7	7.2	5.5	-
<b>Average</b>		<b>256,559</b>		<b>(3.4)</b>	<b>6.0</b>	<b>(0.9)</b>	<b>44.0</b>	<b>26.7</b>	<b>28.0</b>	<b>23.2</b>	<b>18.6</b>	<b>11.3</b>	<b>8.3</b>	<b>5.6</b>	<b>4.5</b>	<b>3.4</b>
<b>SINOSOFT TECHNOLOGICAL</b>	<b>1297 HK</b>	<b>3,856</b>	<b>3.13</b>	<b>41.6</b>	<b>30.4</b>	<b>42.3</b>	<b>16.3</b>	<b>16.3</b>	<b>13.6</b>	<b>12.4</b>	<b>10.4</b>	<b>6.4</b>	<b>5.6</b>	<b>4.5</b>	<b>4.3</b>	<b>3.8</b>
<b>A-share listed software peers</b>																
BEIJING TEAMSU-A	600410 CH	17,320	15.70	22.0	29.9	20.1	219.5	355.4	65.7	66.3	-	2.9	3.1	2.8	-	-
CHINA NATIONAL-A	600536 CH	13,400	27.10	47.1	(7.3)	31.7	183.0	110.4	156.5	67.9	-	3.0	2.5	2.4	-	-
JIANGSU GUOTAI-A	002091 CH	14,033	8.90	(8.9)	(25.5)	(20.2)	12.0	10.0	-	11.1	10.1	0.4	0.4	-	0.3	-
AISINO CORP-A	600271 CH	52,744	28.31	10.4	6.2	5.7	27.3	29.2	29.2	23.3	20.2	1.9	1.8	1.5	1.2	1.1
NEUSOFT CORP-A	600718 CH	23,132	18.61	21.1	(19.1)	2.1	48.7	10.5	18.7	31.3	26.4	2.4	2.6	2.8	2.2	1.8
SHENZHEN SUNLI-A	300348 CH	8,273	27.64	26.0	2.9	47.6	162.0	64.8	78.8	48.2	38.6	15.4	10.9	8.2	5.5	4.2
WONDERS INFORM-A	300168 CH	22,514	21.84	5.5	11.1	30.3	76.3	79.7	59.7	48.4	33.7	9.8	9.3	8.1	7.1	6.0
WINNING HEALTH-A	300253 CH	24,651	15.32	25.8	37.7	83.6	118.7	38.8	-	61.3	45.3	26.9	22.4	-	12.7	9.6
GOSUNCN TECHNO-A	300098 CH	19,475	16.58	14.9	17.3	0.2	70.9	47.9	-	27.8	21.3	14.7	12.8	-	4.8	3.7
SHANGHAI DRAGO-A	300245 CH	5,580	17.63	14.1	(4.6)	2.3	84.1	68.6	76.4	-	-	11.5	11.5	13.6	-	-
BEIJING EGOVA-A	300075 CH	9,398	22.13	23.6	(20.9)	10.0	56.1	55.7	-	31.1	25.2	11.8	8.4	-	4.9	-
BEIJING THUNIS-A	300271 CH	17,934	23.58	10.2	14.9	27.4	55.3	46.9	35.2	28.7	22.7	10.9	8.5	6.7	4.8	3.8
SHANGHAI AMARS-A	300380 CH	3,707	26.97	21.2	(21.1)	2.8	136.6	-164.8	259.6	-	-	10.0	7.8	6.3	-	-
YONYOU NETWORK-A	600588 CH	63,451	43.33	4.9	91.5	64.8	152.7	264.8	139.0	84.6	64.3	11.7	10.8	8.8	6.7	5.5
DIGITAL CHINA -A	000555 CH	16,364	16.99	(18.6)	(26.1)	16.3	36.0	55.1	46.8	36.5	30.0	2.0	1.8	1.7	1.5	1.3
CHINA TRANSINF-A	002373 CH	26,206	17.86	(2.1)	9.7	(2.0)	49.9	50.9	-	28.5	23.0	14.0	9.7	-	4.3	3.2
WISCOM SYSTEM -A	002090 CH	5,893	24.78	7.0	(13.6)	(11.0)	33.6	45.3	33.2	20.4	15.8	3.9	2.7	2.2	1.7	1.4
BEIJING JOIN -A	002279 CH	11,118	15.64	12.8	(4.9)	22.1	60.4	43.1	31.1	20.7	16.5	12.6	7.2	4.9	3.5	2.8
YGSOFT INC-A	002063 CH	8,371	13.79	12.7	(6.7)	4.3	55.1	53.5	-	31.7	24.1	7.5	6.6	-	4.6	3.7
GLODON CO LTD-A	002410 CH	32,834	29.33	3.3	46.3	20.4	110.6	66.6	60.2	45.5	35.8	17.6	14.0	12.3	9.7	8.1
<b>Average</b>		<b>19,820</b>		<b>12.7</b>	<b>5.9</b>	<b>17.9</b>	<b>87.4</b>	<b>78.8</b>	<b>77.9</b>	<b>39.6</b>	<b>28.3</b>	<b>9.5</b>	<b>7.7</b>	<b>5.9</b>	<b>4.7</b>	<b>4.0</b>
<b>SINOSOFT TECHNOLOGICAL</b>	<b>1297 HK</b>	<b>3,856</b>	<b>3.13</b>	<b>41.6</b>	<b>30.4</b>	<b>42.3</b>	<b>16.3</b>	<b>16.3</b>	<b>13.6</b>	<b>12.4</b>	<b>10.4</b>	<b>6.4</b>	<b>5.6</b>	<b>4.5</b>	<b>4.3</b>	<b>3.8</b>
<b>US listed software peers</b>																
MICROSOFT CORP	MSFT US	5,737,073	745.10	9.0	43.1	11.1	64.5	37.1	31.5	25.9	24.1	7.9	8.1	7.7	6.8	6.3
ORACLE CORP	ORCL US	1,480,192	362.59	3.2	4.1	(2.2)	20.7	22.1	17.6	15.0	13.8	5.0	5.1	5.1	4.7	4.6
CA INC	CA US	113,076	271.22	4.0	8.3	3.9	18.3	19.2	14.2	13.4	12.7	3.4	3.6	3.6	3.4	3.3
ADOBE SYS INC	ADBE US	869,988	1,766.59	4.8	71.3	28.5	180.8	96.9	53.7	34.9	30.8	23.4	19.1	15.3	12.5	10.6
SAP SE	SAP GR	1,020,824	830.95	4.4	(4.7)	(7.3)	37.7	31.8	20.3	19.7	17.8	5.7	5.4	4.9	4.3	4.0
TERADATA CORP	TDC US	38,815	321.02	2.6	31.8	6.4	-27.1	43.1	32.0	26.7	23.7	2.0	2.2	2.3	2.3	2.2
UNISYS CORP	UIS US	4,428	87.45	7.2	1.8	36.8	-5.1	-11.9	8.1	7.3	7.4	0.2	0.2	0.2	0.2	0.2
<b>Average</b>		<b>1,323,485</b>		<b>5.0</b>	<b>22.2</b>	<b>11.0</b>	<b>64.4</b>	<b>41.7</b>	<b>25.3</b>	<b>20.4</b>	<b>18.6</b>	<b>6.8</b>	<b>6.3</b>	<b>5.6</b>	<b>4.9</b>	<b>4.5</b>
<b>SINOSOFT TECHNOLOGICAL</b>	<b>1297 HK</b>	<b>3,856</b>	<b>3.13</b>	<b>41.6</b>	<b>30.4</b>	<b>42.3</b>	<b>16.3</b>	<b>16.3</b>	<b>13.6</b>	<b>12.4</b>	<b>10.4</b>	<b>6.4</b>	<b>5.6</b>	<b>4.5</b>	<b>4.3</b>	<b>3.8</b>

Source: Bloomberg, CIRC



## Rating Policy

	Rating	Definition
<b>Stock Rating</b>	Buy	Outperform HSI by 15%
	Neutral	Between -15% ~ 15% of the HSI
	Sell	Underperform HSI by -15%
<b>Sector Rating</b>	Accumulate	Outperform HSI by 10%
	Neutral	Between -10% ~ 10% of the HSI
	Reduce	Underperform HSI by -10%

## Analysts List

Hayman Chiu	Research Director	(852) 2235 7677	hayman.chiu@cinda.com.hk
Lewis Pang	Associate Director	(852) 2235 7847	lewis.pang@cinda.com.hk
Kenneth Li	Senior Research Analyst	(852) 2235 7619	kenneth.li@cinda.com.hk
Chloe Chan	Research Analyst	(852) 2235 7170	chloe.chan@cinda.com.hk
Edith Li	Research Analyst	(852)2235 7515	edith.li@cinda.com.hk

## Analyst Certification

I, Hayman Chiu hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was / were, is / are or will be directly or indirectly, related to the specific recommendations or views expressed in this report / note.

## Disclaimer

This report has been prepared by the Cinda International Research Limited. Although the information and opinions contained in this report have been compiled or arrived at from sources believed to be reliable, Cinda International cannot and does not warrant the accuracy or completeness of any such information and analysis. The report should not be regarded by recipients as a substitute for the exercise of their own judgment. Recipients should understand and comprehend the investment objectives and its related risks, and where necessary consult their own financial advisers prior to any investment decision. The report may contain some forward-looking estimates and forecasts derived from the assumptions of the future political and economic conditions with inherently unpredictable and mutable situation, so uncertainty may contain. Any opinions expressed in this report are subject to change without notice. The report is published solely for information purposes, it does not constitute any advertisement and should not be construed as an offer to buy or sell securities. Cinda International will not accept any liability whatsoever for any direct or consequential loss arising from any use of the materials contained in this report. This document is for the use of intended recipients only, the whole or a part of this report should not be reproduced to others.