

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



AsiaInfo Technologies Limited

亞信科技控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 1675)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the “**Board**”) of directors (the “**Directors**”) of AsiaInfo Technologies Limited (the “**Company**” or “**AsiaInfo Technologies**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2020 (the “**Reporting Period**”).

HIGHLIGHTS

- operating revenue amounted to approximately RMB2,504.1 million, up by 1.0%;
- revenue from Emerging Businesses¹ amounted to approximately RMB229.7 million, up by 77.7%;
- gross profit amounted to approximately RMB893.7 million, up by 2.9%, and our gross profit margin amounted to 35.7%, representing a year-on-year increase of 0.7 percentage point, where our profitability continued to improve;
- net profit amounted to approximately RMB232.6 million, up by 228.8%, and net profit margin was approximately 9.3%, representing a year-on-year increase of 6.4 percentage points; and
- adjusted net profit² amounted to approximately RMB280.4 million, up by 10.1%, and adjusted net profit margin² was approximately 11.2%, representing a year-on-year increase of 0.9 percentage point.
- On 14 August 2020, the Company has been selected as a constituent of each of the Hang Seng Composite Index, Hang Seng Stock Connect Hong Kong Index and Hang Seng Internet & Information Technology Index, etc., changes of which will take effect on 7 September 2020.

Note 1: Emerging Businesses consist of the Operation Support Systems (“OSS”), Data-driven Operation (“DSaaS”), vertical industries and enterprise cloudification businesses.

Note 2: To facilitate comparisons of the overall operating performance of the Company in different periods, we adjusted and eliminated the impacts of certain non-recurring, non-cash or non-operating items. Such impacts include pre-IPO share-based compensation plan related expenses, amortisation of intangible assets arising from acquisition, interest expenses from the privatisation syndicated loan and exchange gains and losses. The adjusted net profit and adjusted net profit margin referred to in this interim results announcement were adjusted according to the principles as set out above. Adjusted net profit and adjusted net profit margin are not measurements required by, or presented in accordance with, HKFRS (as defined below) and are unaudited figures. The use of these measurements has limitations as analytical tools, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under HKFRS. Please refer to “MANAGEMENT DISCUSSION AND ANALYSIS — Non-HKFRS Measurement Indicators” for more details.

CHAIRMAN’S STATEMENT

Dear Shareholders,

2020 is an extremely extraordinary year. Since the beginning of the year, the novel coronavirus disease 2019 (i.e. COVID-19) outbreak has exerted downward pressure on the national economic development, and accordingly, the production and operations of various industries have also been severely affected. At the same time, China has vigorously developed new infrastructure, with the core directions including 5G and cloud computing, leading to a new round of technological revolution and industrial reformation and accelerating the process of social digital transformation.

During the Reporting Period, AsiaInfo Technologies actively responded to the impact brought by the COVID-19 outbreak, and strived to ensure the stable and efficient operation of operators’ IT systems. Meanwhile, the Company seized the development opportunities spawned by new infrastructure, firmly promoted the development strategy of “One consolidation, Three developments” (一鞏固、三發展) to continue reinforcing its leading position in the Business Support Systems (“BSS”) market, and for Emerging Businesses, we endeavoured the rapid and scalable development in OSS, DSaaS, vertical industries and enterprise cloudification. In the first half of 2020, under the adverse impact of the COVID-19 outbreak, the overall performance of the Company still saw relatively stable growth, especially the rapid development of the Emerging Businesses (i.e. OSS, DSaaS, vertical industries and enterprise cloudification) and the transformation has produced desirable results. The overall achievements are hard won.

On 14 August 2020, the Company has been selected as a constituent of each of the Hang Seng Composite Index, Hang Seng Stock Connect Hong Kong Index and Hang Seng Internet & Information Technology Index, etc., changes of which will take effect on 7 September 2020. We believe that joining the Hang Seng Family of Indexes will help the Company further broaden the investor base and effectively strengthen the recognitions of the Company in the capital market, so as to improve the brand recognition of the Company.

On behalf of the Board, I hereby present the interim results of the Group for the six months ended 30 June 2020 to the shareholders of the Company.

OVERALL RESULTS

During the first half of 2020, despite that the Company's operating performance was running under pressure resulting from the significant impact on the overall signed orders and deferral in construction progress due to the COVID-19 outbreak impact, however, driven by the rapid development of the Emerging Businesses, our operating revenue amounted to approximately RMB2,504.1 million, representing a year-on-year increase of 1.0%. Among which, revenue from the Emerging Businesses amounted to approximately RMB229.7 million, representing a year-on-year increase of 77.7% (of which, revenue from the OSS business amounted to approximately RMB55.7 million, representing a year-on-year increase of 38.6%, revenue from the DSaaS business amounted to approximately RMB105.8 million, representing a year-on-year increase of 90.7%, revenue from the vertical industries and enterprise cloudification amounted to approximately RMB68.15 million, representing a year-on-year increase of 103.0%). Net profit amounted to approximately RMB232.6 million, representing a year-on-year increase of 228.8%. The adjusted net profit amounted to approximately RMB280.4 million, representing a year-on-year increase of 10.1%, and the adjusted net profit margin amounted to 11.2%, representing a year-on-year increase of 0.9 percentage point, which recorded a new high in profitability.

The Board, after taking into full consideration of various factors including the profitability, cash flow level and future development capital needs of the Company, had decided not to declare any interim dividend for the Reporting Period and proposed to maintain the guideline of setting the dividend payout ratio of not less than 40% of the profit for the year 2020.

BUSINESS REVIEW

Further solidifying our leading position in the operators' market for BSS business and facilitating rapid growth of 5G business

2020 is the popularisation year of 5G commercial application. The Company continues to strengthen its business support software and service advantages by providing BSS systems that enable 5G scenarios for business operation. We provide strong support for operators' 5G business development, thus further solidifying our leading position in the operators' market.

We actively participate in the formulation of proposals and specifications for smart middle office platform, assist in the construction of projects for smart middle office platform in various regions, upgrade the overall system architecture by means of the middle office platform, and form supporting capabilities for the business scenarios, so as to help the digital transformation. We actively explore 5G multi-quantity, multi-dimensional and multi-model charging and billing capabilities and propel the launching of the 5G standalone (SA) charging and billing system. Moreover, the Company deepens the cooperation in big data platforms and domestic databases, and obtained project orders for data processing platform, data model construction and database relocation services. As of 30 June 2020, the Company provided services to 262 telecom operator customers, representing a year-on-year increase of 16.4%, and the customer retention rate continued to maintain a high level of over 99%.

Kicking start the commercial expansion of OSS business to construct the 5G cloud-network convergence era

With the acceleration of new infrastructure, operators are vigorously constructing 5G high-quality networks, forming cloud network integration resources and service capabilities. In close line with the multi-sector convergence development trend led by 5G, the Company vigorously promotes multi-sector business integration, in particular, increases the innovation of 5G network intelligent products, promotes 5G OSS business expansion, assists operators to improve 5G network quality and experience, and cooperates with research and development (“R&D”) organisations or provincial companies under the three major operators, achieving 27 5G commercialised works in the first half of 2020.

We launched all-round solution services for 5G-Slicing end-to-end management, provided operators with supporting capabilities for the entire life cycle, which helped them to quickly realise the end-to-end planning and management of 5G slicing business and 5G network elements. We obtain orders to construct the 5G network functions virtualisation (NFV) and short messaging service (SMS) converged gateway system, helping the virtualisation, cloudification and centralised deployment of the 5G converged SMS gateway. The pilot project of the new generation cloud network operation system was cutover and launched to achieve the commercial implementation of multiple achievements

and promote the integration of B domain (BSS domain) and O domain (OSS domain). As of 30 June 2020, the revenue from the Company's OSS business amounted to approximately RMB55.7 million, representing a year-on-year increase of 38.6%. Among which, revenue from the 5G OSS business amounted to approximately RMB15.3 million.

DSaaS business increasing by over 90%, with revenue breakthrough of RMB100 million

In the first half of 2020, the Company continued to focus on the DSaaS business, with constant diversification in data-driven operation products and applications. Our producibility and SaaS-deployment have become increasingly matured, and we expanded customer base constantly. Business models such as results-based billing and collaboration sharing-based charging have been further solidified with well-recognition from more customers.

Confronting the COVID-19 outbreak, as a powerful tool to combat against the epidemic spread, the value of DSaaS business has become more and more prominent. The Company fully leverages the foundation capabilities of big data and artificial intelligence to quickly develop 16 epidemic prevention and control products and solutions ranging from macro insights to grassroots control, and has precisely and effectively assisted operators and government departments in epidemic prevention and control and resumption of work and production, contributing to winning the epidemic prevention and control battle with scientific and technological strengths. Our products and solutions such as human flow and epidemic trend sensing products in epidemic regions, visualisation resolution of 3D immersive data on sensitive regions, and joint public health emergency response plans were recommended by the Ministry of Science and Technology. Our epidemic prevention and control big data platform was highly recommended by the China Academy of Information and Communications Technology (CAICT) and the Cloud Computing Open Source Industry Alliance. The spatio-temporal location big data-based epidemic prevention and control solutions were shortlisted by the Ministry of Industry and Information Technology. As of 30 June 2020, the revenue from DSaaS business was approximately RMB105.8 million, representing a year-on-year increase of 90.7%, nearly doubling again.

Growing and solidifying key vertical industries, tapping into the enterprise cloudification business

In the first half of 2020, the Company vigorously expanded the vertical industries market, continued to focus on strategic vertical industries including the finance, energy, transportation, government affairs and postal services sectors, and provided products and services primarily based on customer relationship management (i.e. CRM), data management, development and operation (DevOps) and cloud service management (Cloud MSP), with breakthrough achievements in relevant industries.

In the finance sector, we secured insurance orders from clients such as PICC life insurance through our DataGo data asset management and CRM products and continued to deepen cooperation with our banking customers including China CITIC Bank, Harbin Bank, Agricultural Bank of China and China Construction Bank by offering DevOps and other products. In the energy and power sector, we launched 5G smart energy solutions to help the new infrastructure in the energy industry, and secured orders in nuclear power, thermal power and wind power from China Nuclear Power Engineering, CHN Energy and State Power Investment Corporation (SPIC). We also entered into the strategic cooperation agreements with China Nuclear Power Engineering and CHN Energy, respectively. In the transportation sector, we built an enterprise-grade comprehensive operation management system for expressways and promoted the informatisation development in transportation industry. We secured the expressway projects in the Yunnan, Guangdong, Hunan and other provinces with our charging-based products and participated in the planning and construction of the travel service system of the Road Network Center of the Ministry of Transport. In the postal services sector, we have successfully delivered key projects such as CRM and data centre to China Post and won their high praise and trust. We also helped Postal Savings Bank of China to build a big data platform to contribute efforts in technological innovations in postal industries. In Cloud MSP sector, we completed projects co-supported by Alibaba Cloud's technology one after another, launched OCJ e-commerce platform project successfully, and jointly expanded customers including Hebei Steel and Delong Steel. Moreover, we were rated as "Excellent", the highest level of Trusted Cloud MSP certification (currently only five MSPs have passed such certification) in the Trusted Cloud • Cloud MSP Competency Assessment hosted by CAICT. As of 30 June 2020, the Company provided services to 64 large-scale corporate customers, representing a year-on-year increase of 48.8%. The customer retention rate continued to maintain a high level of over 99%. The revenue from vertical industries and enterprise cloudification business amounted to approximately RMB68.15 million, representing a year-on-year increase of 103.0%.

Leading technological R&D strengths will help accelerate business transformation

Adhering to the philosophy of "R&D first, innovation as priority", we continue to increase our investments in technology R&D with focus on Emerging Businesses, accelerate the innovation on technological products, and continue to strengthen product capabilities and empower the forefront departments and cooperative partners to construct an ecological cooperation pattern. In the first half of 2020, we fully set up the B domain and O domain core product capabilities and created several product systems and related products. For example, we created an open, united and credible cloud network-integrated product system based on a enterprise-level comprehensive and full-stack multiple cloud management platform, covering data-science product system, including full-domain smart operating and maintaining platform, knowledge graph management tool, robotic process automation platform and 5G city digital twinning platform, etc. It also embraces BSS product systems, including enterprise-level GIS platform, 3D visualisation product, etc.

We continue to develop the Cloud MSP products and service capacity and vertical industries solutions which empower the vertical industries, and focus on implementing the Cloud MSP strategy.

While strengthening our technological innovation, we have also established an innovative closed-circle model from standardisation and commercialisation, which comprises identifying the technological innovation direction, making technical proposals to European Telecommunications Standards Institute, 3rd Generation Partnership Project, International Telecommunication Union, TeleManagement Forum, IEEE, O-RAN and other industry organisations actively, completing the innovative product R&D under the guidance of industry standards, and constructing an ecological cooperation pattern with operators' group headquarters, research institutes and provincial companies by adopting the joint technological innovation model during the commercialisation process.

China Mobile's strategic subscription for our shares has deepened strategic cooperation bondage through capital

In April 2020, the Company entered into a subscription agreement with a wholly-owned subsidiary of China Mobile Limited, in which the latter will hold nearly 20% of the Company's shares upon the completion of such subscription. The strategic subscription of China Mobile will further facilitate the long-term cooperation between the two parties in the strategic aspect, fully leverage our advantages of market oriented mechanism operations, jointly explore development opportunities in face of new strategic segments, strengthen and deepen the cooperation in the Emerging Businesses directions, and achieve complementary advantages, resources sharing and win-win cooperation. We will also further deepen the cooperation with our telecom operator customers such as China Telecom, China Mobile and China Unicom, and continue to provide better superior quality products and services.

LOOKING FORWARD

As the epidemic is turning around and economic recovery momentum is picking up, we are sufficiently confident about the long-term development of the Company. We will insist on the strategy of "One consolidation, Three developments", seize the 5G commercialisation opportunity and firmly intensify our development in the industry. We will continue to embrace emerging technologies by integrating 5G, artificial intelligence, big data and cloud computing together with enterprise digital transformation to accelerate the construction of the new infrastructure, aiming to become the enabler of the digital transformation for large enterprises in the 5G era.

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the six months ended 30 June 2020 — unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
Revenue	4	2,504,146	2,479,331
Cost of sales		(1,610,482)	(1,610,848)
Gross profit		<u>893,664</u>	<u>868,483</u>
Other income	5	52,986	50,241
Impairment losses under expected credit loss model, net of reversal		(5,827)	(26,594)
Other gains and losses		1,458	12,629
Selling and marketing expenses		(163,242)	(218,091)
Administrative expenses		(118,336)	(149,831)
Research and development expenses		(351,533)	(381,692)
Share of results of associates		(976)	(1,637)
Impairment losses on associates		(6,680)	—
Finance costs		(11,390)	(29,990)
Profit before tax		290,124	123,518
Income tax expenses	6	(57,557)	(52,786)
Profit for the period	7	232,567	70,732
Other comprehensive income for the period		<u>—</u>	<u>—</u>
Total comprehensive income for the period		<u>232,567</u>	<u>70,732</u>
Profit for the period/total comprehensive income for the period attributable to:			
Equity holders of the Company		<u>232,567</u>	<u>70,732</u>
Earnings per share	9		
— Basic (RMB)		0.32	0.10
— Diluted (RMB)		0.32	0.10

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At 30 June 2020 — unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

		30 June 2020	31 December 2019
	<i>Note</i>	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		283,478	288,261
Right-of-use assets		254,371	169,465
Intangible assets		4,207	7,708
Goodwill		1,932,246	1,932,246
Investments in associates		43,378	51,033
Deferred tax assets		130,658	135,766
Pledged bank deposits		24,371	28,612
Term deposits		—	170,000
Other non-current assets		14,572	39,641
		<u>2,687,281</u>	<u>2,822,732</u>
Current assets			
Inventories		456	304
Trade and note receivables	10	853,485	841,182
Prepayments, deposits and other receivables		138,479	183,706
Contract assets		1,630,971	1,554,521
Amounts due from fellow subsidiaries		10,173	6,358
Pledged bank deposits		479,535	321,246
Term deposits		149,557	—
Bank balances and cash		1,658,844	1,810,591
		<u>4,921,500</u>	<u>4,717,908</u>
Current liabilities			
Trade and note payables	11	394,105	358,048
Contract liabilities		181,556	296,945
Other payables, deposits received and accrued expenses		1,635,690	1,922,837
Amounts due to fellow subsidiaries		8,349	18,092
Income tax payable		254,689	244,573
Bank borrowings		858,035	594,372
Lease liabilities		45,049	36,213
		<u>3,377,473</u>	<u>3,471,080</u>

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
– CONTINUED

At 30 June 2020 — unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	30 June 2020 RMB'000	31 December 2019 <i>RMB'000</i>
Net current assets	<u>1,544,027</u>	<u>1,246,828</u>
Total assets less current liabilities	<u>4,231,308</u>	<u>4,069,560</u>
Non-current liabilities		
Deferred tax liabilities	132,509	122,983
Lease liabilities	<u>115,811</u>	<u>39,374</u>
	<u>248,320</u>	<u>162,357</u>
NET ASSETS	<u>3,982,988</u>	<u>3,907,203</u>
CAPITAL AND RESERVES		
Share capital	—	—
Reserves	<u>3,982,988</u>	<u>3,907,203</u>
TOTAL EQUITY	<u>3,982,988</u>	<u>3,907,203</u>

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2020 — unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity holders of the Company							Total RMB'000
	Share RMB'000	Share premium RMB'000	Merger reserve RMB'000	Translation capital reserve RMB'000	Statutory surplus reserve RMB'000 (Note i)	Other reserve RMB'000	Retained profits RMB'000	
At 1 January 2020	—	997,954	285,200	(15,129)	176,247	1,545,848	917,083	3,907,203
Profit and total comprehensive income for the period	—	—	—	—	—	—	232,567	232,567
Recognition of equity-settled share-based payments	—	—	—	—	—	40,002	—	40,002
Lapse of share options and restricted stock units	—	—	—	—	—	(7,830)	7,830	—
Vesting of restricted stock units	—	20,820	—	—	—	(20,820)	—	—
Exercise of share options	—	6,789	—	—	—	(2,558)	—	4,231
Purchase of ordinary shares for share award scheme	—	(32,079)	—	—	—	—	—	(32,079)
Dividends declared in respect of the previous year (note 8)	—	—	—	—	—	—	(168,936)	(168,936)
At 30 June 2020	—	993,484	285,200	(15,129)	176,247	1,554,642	988,544	3,982,988
At 31 December 2018	—	897,214	285,200	(15,129)	174,425	1,390,128	503,681	3,235,519
Effect arising from initial application of HKFRS 16	—	—	—	—	—	—	111	111
At 1 January 2019	—	897,214	285,200	(15,129)	174,425	1,390,128	503,792	3,235,630
Profit and total comprehensive income for the period	—	—	—	—	—	—	70,732	70,732
Recognition of equity-settled share-based payments	—	—	—	—	—	175,608	—	175,608
Lapse of share options and restricted stock units	—	—	—	—	—	(3,415)	3,415	—
Issue of new shares upon exercise of the over-allotment option	—	27,162	—	—	—	—	—	27,162
Share issuance costs	—	(681)	—	—	—	—	—	(681)
Vesting of restricted stock units	—	58,336	—	—	—	(58,336)	—	—
Exercise of share options	—	1,822	—	—	—	(950)	—	872
At 30 June 2019	—	983,853	285,200	(15,129)	174,425	1,503,035	577,939	3,509,323

Notes:

- (i) In accordance with the articles of association of all subsidiaries established in the People's Republic of China (the "PRC"), the PRC subsidiaries are required to set aside 10% of their profit after tax as per statutory financial statements determined under the PRC laws and regulations for the statutory surplus reserve fund until the reserve reaches 50% of their registered capital. Transfer to this reserve must be made before distributing dividends to equity holders of the subsidiaries. The statutory surplus reserve can be used to make up previous years' losses, expand the existing operations or convert into additional capital of the respective subsidiaries.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 June 2020 — unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Net cash used in operating activities		(181,108)	(358,242)
Investing activities			
Purchases of property, plant and equipment		(12,149)	(10,096)
Purchases of intangible assets		(2,781)	(1,296)
Payments for right-of-use assets		(6,073)	(695)
Purchases of financial assets at fair value through profit or loss		(420,000)	(84,000)
Proceeds on disposal of property, plant and equipment		271	211
Proceeds on disposal of financial assets at fair value through profit or loss		425,948	298,774
Placement of pledged bank deposits		(509,199)	(286,796)
Withdrawal of pledged bank deposits		355,152	1,182,417
Placement of term deposit		(149,400)	(150,000)
Withdrawal of term deposit		170,000	—
Interest received		9,251	29,922
Net cash (used in) generated from investing activities		(138,980)	978,441
Financing activities			
Repayment of bank borrowings		(495,167)	(1,310,122)
New bank borrowings raised		898,057	—
Repayment of the capital element of lease liabilities		(25,980)	(17,251)
Proceeds from issue of shares		—	27,162
Interest paid		(10,580)	(31,591)
Payment of issue costs		—	(3,010)
Proceeds from issue of ordinary shares under share option schemes		3,950	144
Purchase of ordinary shares for share award scheme		(32,079)	—
Dividend paid	8	(154,907)	—
Other cash flows arising from financial activities		(13,507)	—
Net cash generated from (used in) financing activities		169,787	(1,334,668)
Net decrease in cash and cash equivalents		(150,301)	(714,469)
Cash and cash equivalents at 1 January		1,810,591	1,821,182
Effect of exchange rate changes		(1,446)	(15,285)
Cash and cash equivalents at 30 June represented by bank balances and cash		1,658,844	1,091,428

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020 — unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

1 GENERAL INFORMATION

AsiaInfo Technologies Limited (the “**Company**”) is incorporated in the British Virgin Islands (“**BVI**”) as a company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 19 December 2018.

The Company is an investment holding company. The principal activities of the Group are provision of software products and related services.

2 BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 Interim financial reporting issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure provisions to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. It was authorised for issue on 17 August 2020.

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of the condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company and its subsidiaries (together, the “**Group**”) since the 2019 annual financial statements. They do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

3 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Application of new and amendments to HKFRSs

The HKICPA have issued the following amendments to HKFRSs and HKASs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the condensed consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendment to HKFRS 16, Covid-19-Related Rent Concession, which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

4 REVENUE AND SEGMENT INFORMATION

The Group's revenue is primarily generated from project-based software development contracts, under which the Group develops software products and provides services at fixed prices and/or variable prices. Revenue is recognised net of sales related taxes.

The Group's operating segments are determined based on information reported to the chief executive officer of the Company, being the chief operating decision maker ("CODM") of the Group for the purpose of resource allocation and assessment of segment performance focuses on types of goods and services provided. No operating segments have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

Software business:	Representing (1) BSS; (2) OSS; (3) DSaaS; (4) vertical industries and enterprise cloudification; and (5) others, including sale of third-party hardware and software, the provision of system integration services, business consulting services and corporate trainings.
Network security business:	Representing provision of network security related software products and services.

4 REVENUE AND SEGMENT INFORMATION – CONTINUED

Disaggregation of revenue

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Timing of revenue recognition</i>		
At a point in time	108,475	9,810
Over time	<u>2,395,671</u>	<u>2,469,521</u>
	<u><u>2,504,146</u></u>	<u><u>2,479,331</u></u>
<i>Types of goods and services</i>		
Provision of services ⁽ⁱ⁾	2,395,904	2,471,220
Sales of goods	<u>108,242</u>	<u>8,111</u>
	<u><u>2,504,146</u></u>	<u><u>2,479,331</u></u>
<i>Nature of goods and services</i>		
Software business:		
BSS	2,115,348	2,292,814
OSS	55,702	40,184
DSaaS	105,830	55,493
Vertical industries and enterprise cloudification	68,145	33,574
Others ⁽ⁱⁱ⁾	<u>158,744</u>	<u>54,834</u>
	<u><u>2,503,769</u></u>	<u><u>2,476,899</u></u>
Network security business	<u><u>377</u></u>	<u><u>2,432</u></u>
	<u><u>2,504,146</u></u>	<u><u>2,479,331</u></u>

Notes:

- (i) The Group records contract liabilities when receiving consideration from customers prior to its provision of services upon entering into contracts for rendering of services over contract periods with an average of one year.
- (ii) Others represent revenue primarily generated from the sales of third-party hardware and software, the provision of system integration services, business consulting services and corporate trainings.

4 REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment information

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

Six months ended 30 June 2020

	Software business <i>RMB'000</i>	Network security business <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue	2,503,769	377	2,504,146
Cost of sales	<u>(1,610,112)</u>	<u>(370)</u>	<u>(1,610,482)</u>
Gross profit	893,657	7	893,664
Other income	52,986	—	52,986
Impairment losses under expected credit loss model, net of reversal	(5,827)	—	(5,827)
Other gains and losses	1,458	—	1,458
Selling and marketing expenses	(163,242)	—	(163,242)
Administrative expenses	(118,336)	—	(118,336)
Research and development expenses	(351,533)	—	(351,533)
Share of results of associates	(976)	—	(976)
Impairment losses on associates	(6,680)	—	(6,680)
Finance costs	<u>(11,390)</u>	<u>—</u>	<u>(11,390)</u>
Profit before tax	<u>290,117</u>	<u>7</u>	<u>290,124</u>

Six months ended 30 June 2019

	Software business <i>RMB'000</i>	Network security business <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue	2,476,899	2,432	2,479,331
Cost of sales	<u>(1,608,464)</u>	<u>(2,384)</u>	<u>(1,610,848)</u>
Gross profit	868,435	48	868,483
Other income	50,241	—	50,241
Impairment losses under expected credit loss model, net of reversal	(26,594)	—	(26,594)
Other gains and losses	12,629	—	12,629
Selling and marketing expenses	(218,091)	—	(218,091)
Administrative expenses	(149,821)	(10)	(149,831)
Research and development expenses	(381,692)	—	(381,692)
Share of results of associates	(1,637)	—	(1,637)
Finance costs	<u>(29,990)</u>	<u>—</u>	<u>(29,990)</u>
Profit before tax	<u>123,480</u>	<u>38</u>	<u>123,518</u>

4 REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment information – continued

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both periods.

No segment assets and liabilities are presented as the CODM does not regularly review segment assets and liabilities.

Geographical information

The Group's operations are in the PRC. Substantially all revenue of the Group and non-current assets of the Group are generated from and located in the PRC.

Information about the Group's revenue from external customers is presented based on the location of the signing parties of the sales or service contracts. During the six months ended 30 June 2020 and 2019, there were no sales or service contracts with a signing party located outside the PRC.

5 OTHER INCOME

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants ⁽ⁱ⁾	20,130	22,457
Income from management support services ⁽ⁱⁱ⁾	4,259	5,875
Gain from additional input VAT credit	5,351	—
Bank interest income	7,475	13,722
Interest income from financial assets at fair value through profit or loss	5,948	4,774
Interest income from term deposit	5,799	1,544
Others	4,024	1,869
	<u>52,986</u>	<u>50,241</u>

Notes:

- (i) Government grants amounted to RMB18,620,000 (2019: RMB21,864,000) have been recognised as supporting high-tech industrial development. Government grants amounted to RMB1,510,000 (2019: RMB593,000) have been recognised as environment protection and employee benefits. The amounts have been recognised as other income, and there was no unfulfilled condition attached to these government grants in the period in which they were recognised.
- (ii) Income from management support services represents income generated primarily from the provision of management services such as legal support, human resources and administration to the Group's related parties.

6 INCOME TAX EXPENSES

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Current tax:		
PRC enterprise income tax (“EIT”)	42,923	20,612
Deferred tax	14,634	32,174
	<u>57,557</u>	<u>52,786</u>

Under the Law of the PRC on enterprise income tax (the “EIT Law”) and implementation regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the six months ended 30 June 2020 (2019: 25%).

The Group’s subsidiaries operating in the PRC are eligible for certain tax credits of 175% deduction rates on certain research and development expenses for the six months ended 30 June 2020 (2019: 175%).

On 9 August 2012, the Ministry of Industry and Information Technology of the PRC, the Ministry of Finance of the PRC and the State Administration of Taxation promulgated and implemented Trial Measures for the Administration over the Certification of Key Software Enterprises and Integrated Circuit Design Enterprises under State Planned Layout, pursuant to which key software enterprises under the state plan layout could go through tax reduction procedures with the competent tax authorities to enjoy preferential tax policies. During the six months ended 30 June 2020 and 2019, two of the Company’s subsidiaries, including AsiaInfo Technologies (China), Inc. (“AsiaInfo China”) and AsiaInfo Technologies (Nanjing), Inc. (“AsiaInfo Nanjing”), were identified as the key software enterprises with tax privileges and entitled to a preferential EIT rate of 10%, pursuant to the designation as a key software enterprise within National Programming Layout. Such tax preferential treatment was applied and entitled by performing the record filling to the tax authorities on a yearly basis. The directors of the Company consider that AsiaInfo China and AsiaInfo Nanjing will re-apply for such tax preference provided that their business operations will continue to be qualified as key software enterprises.

Pursuant to the EIT Policy of Integrated Circuit Design Enterprises and Software Enterprises, Hunan AsiaInfo Software Co., Ltd. could enjoy the exemption of EIT in the first two profitable years and will be entitled to a preferential income tax rate of 12.5% from 2020 to 2022. Nanjing AsiaInfo Software Co., Ltd. could enjoy the exemption of EIT from 2019 to 2020, and will be entitled to a preferential EIT rate of 12.5% from 2021 to 2023.

Hangzhou AsiaInfo Cloud Information Technology Co., Ltd (“Hangzhou Cloud”) was designated as “High and New Technology Enterprise” in 2019 for a period up to 31 December 2021. As a result, Hangzhou Cloud is entitled to a preferential income tax rate of 15% in 2020 (2019: 15%).

According to the relevant tax law in the PRC, dividend distributed to foreign investors out of the profit generated from 1 January 2008 onwards shall be subject to withholding tax at 10% and withheld by the PRC entity, pursuant to Articles 3 and 37 of the EIT Law and Article 91 of its Detailed Rules for the Implementation of the Regulation.

Pursuant to the rules and regulations of the BVI, the Company is not subject to any income tax in the BVI.

7 PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging the following items:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period has been arrived at after charging the following items:		
Staff costs, including directors' remuneration		
Directors' remuneration	6,218	16,236
Employee benefit expenses		
Other staff costs (salaries, wages, allowance, bonus and others)	1,478,454	1,419,034
Contribution to retirement benefits scheme	51,563	136,137
Share-based compensation expenses	37,241	161,946
	<u>1,573,476</u>	<u>1,733,353</u>
Total staff costs		
	<u>1,573,476</u>	<u>1,733,353</u>
Cost of inventories recognised as expenses (included in cost of sales)	104,539	7,470
Depreciation of property, plant and equipment	16,913	15,545
Depreciation of right-of-use asset	32,043	18,888
Amortisation of intangible assets	6,282	9,299
Expense of short-term and low value lease	31,177	19,658
	<u>31,177</u>	<u>19,658</u>

8 DIVIDENDS

Dividends payable to equity holders attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend in respect of the previous financial year, approved during the following interim period, of HKD25.2 cents per share	168,936	N/A
	<u>168,936</u>	<u>N/A</u>

For the six months ended 30 June 2020, the dividends of HKD169,587,000 (equivalent to RMB154,907,000) were paid to the equity holders of the Company (2019: nil).

9 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share	<u>232,567</u>	<u>70,732</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	728,446,412	722,654,497
Effect of dilutive potential ordinary shares: share options and restricted stock units (“RSUs”)	<u>6,024,930</u>	<u>8,511,020</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>734,471,342</u>	<u>731,165,517</u>

The calculation of basic earnings per share for the six months periods ended 30 June 2020 and 2019 was based on the profit for the period attributable to the ordinary equity holders of the Company.

The calculation of the number of shares for the purpose of basic earnings per share for the six months periods ended 30 June 2019 has taken into account the over-allotment to the Company’s underwriters in the Company’s global offering on 15 January 2019 and the allotment and issuance of ordinary shares with regard to the exercise and vesting of share options and RSUs in 2019.

The calculation of the number of shares for the purpose of basic earnings per share for the six months periods ended 30 June 2020 has taken into account the issuance of ordinary shares with regard to the exercise and vesting of share options and RSUs and purchase of ordinary shares in 2020.

The computation of diluted earnings per share for the six months periods ended 30 June 2020 and 2019 did not assume the exercise of the share options under the 2014 plan and the share options with exercise prices of U.S. dollar (“US\$”) 1.9225 and US\$1.2725 under the Pre-IPO share option scheme since the exercise prices of those share options were higher than the average market price of the shares of the Company.

10 TRADE AND NOTE RECEIVABLES

The Group allows an average credit period of 30 days from the dates of acceptance reports when the Group had the right to consideration becoming unconditional. The extension of credit period to the customers may be granted on a discretionary basis by considering customer type, the current creditworthiness and the customer's financial condition and payment history with the Group.

The following is an analysis of trade and note receivables by age, presented based on the dates when the Group has the right to bill, net of allowance for doubtful debts.

	30 June 2020 RMB'000	31 December 2019 RMB'000
1-30 days	401,415	517,754
31-90 days	188,175	164,928
91-180 days	75,901	109,482
181-365 days	169,804	37,482
Over 365 days	18,190	11,536
	853,485	841,182

As at 30 June 2020, total note receivables amounting to RMB82,290,000 (31 December 2019: RMB101,442,000) are held by the Group for settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the Reporting Period. All note receivables of the Group are with a maturity period of less than one year.

11 TRADE AND NOTE PAYABLES

The following is an analysis of trade payables by age, presented based on the payment obligation used by the Group's management to monitor the Group's financial position.

	30 June 2020 RMB'000	31 December 2019 RMB'000
1-90 days	234,783	199,152
91-180 days	44,479	90,751
181-365 days	48,356	13,463
366-730 days	33,407	21,001
Over 730 days	33,080	33,681
	394,105	358,048

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Operating Results

In the first half of 2020, the Company overcame the difficulties brought by the COVID-19 outbreak, continued to uphold the business development strategy of “One consolidation, Three developments”, actively expanded new customers, OSS, DSaaS, vertical industries and enterprise cloudification businesses as well as achieved cost reduction and efficiency enhancement through management improvement and procedure optimisation so as to realise sound operating results.

In the first half of 2020, our operating revenue amounted to approximately RMB2,504.1 million (the corresponding period in 2019: approximately RMB2,479.3 million), representing a year-on-year increase of 1.0%. Among which, revenue from Emerging Businesses amounted to approximately RMB229.7 million (the corresponding period in 2019: approximately RMB129.3 million), representing a year-on-year increase of 77.7%, and accounting for approximately 9.2% of the revenue (the corresponding period in 2019: approximately 5.2%). The development strategy of “One consolidation, Three developments” has achieved preliminary results.

In the first half of 2020, our gross profit amounted to approximately RMB893.7 million (the corresponding period in 2019: approximately RMB868.5 million), representing a year-on-year increase of 2.9%, and our gross margin amounted to approximately 35.7% (the corresponding period in 2019: approximately 35.0%), representing a year-on-year increase of 0.7 percentage point. Our profitability continued to improve.

In the first half of 2020, our net profit amounted to approximately RMB232.6 million (the corresponding period in 2019: approximately RMB70.7 million), representing a year-on-year increase of 228.8%, and our net profit margin amounted to approximately 9.3% (the corresponding period in 2019: 2.9%), representing a year-on-year increase of 6.4 percentage points. The Company achieved revenue growth and cost reduction, and continued to improve its profitability through constant business expansion, management improvement and procedure optimisation.

In the first half of 2020, the adjusted net profit amounted to approximately RMB280.4 million (the corresponding period in 2019: approximately RMB254.7 million), representing a year-on-year increase of 10.1%. The adjusted net profit margin was approximately 11.2% (the corresponding period in 2019: approximately 10.3%), achieving a good profit level.

In the first half of 2020, the net cash outflow from operating activities amounted to approximately RMB181.1 million (the corresponding period in 2019: approximately RMB358.2 million), representing a change of 49.4% as compared with the corresponding period of last year, which was mainly attributable to the Company's continued enhancement in the intensive management of capital and the decrease in the daily payment resulting from the impact of the COVID-19 outbreak.

Revenue

In the first half of 2020, the Company overcame the difficulties brought by the COVID-19 outbreak, continued to uphold the business development strategy of "One consolidation, Three developments", and achieved revenue growth resulting from the accelerating expansion of Emerging Business sectors including OSS, DSaaS, vertical industries and enterprise cloudification through focusing on the industrial digital transformation.

In the first half of 2020, our operating revenue amounted to approximately RMB2,504.1 million (the corresponding period in 2019: approximately RMB2,479.3 million), representing a year-on-year increase of 1.0%. Among which, revenue from Emerging Business amounted to approximately RMB229.7 million (the corresponding period in 2019: approximately RMB129.3 million), representing a year-on-year increase of 77.7%, and accounting for approximately 9.2% of the revenue (the corresponding period in 2019: approximately 5.2%).

OSS enjoyed swift development and achieved revenue of approximately RMB55.7 million (the corresponding period in 2019: approximately RMB40.2 million), representing a year-on-year increase of 38.6%. Of which, the 5G OSS business achieved revenue of approximately RMB15.3 million (the corresponding period in 2019: Nil), achieving the revenue breakthrough of RMB10 million in the first period;

DSaaS developed rapidly and achieved revenue of approximately RMB105.8 million (the corresponding period in 2019: approximately RMB55.5 million), representing a year-on-year increase of 90.7%.

Vertical industries and enterprise cloudification witnessed fast development and achieved revenue of approximately RMB68.1 million (the corresponding period in 2019: approximately RMB33.6 million), representing a year-on-year increase of 103.0%.

Cost of Sales

In the first half of 2020, despite operating pressure exerted by the COVID-19 outbreak, we continued to intensify our management and optimise procedure. We incurred cost of sales of approximately RMB1,610.5 million (the corresponding period in 2019: approximately RMB1,610.8 million). Operating cost was basically maintained at a stable level.

Gross Profit and Gross Margin

In the first half of 2020, our gross profit was approximately RMB893.7 million (the corresponding period in 2019: approximately RMB868.5 million), and our gross margin was approximately 35.7% (the corresponding period in 2019: approximately 35.0%), with continued improvement in profitability.

Selling and Marketing Expenses

In the first half of 2020, our selling and marketing expenses amounted to approximately RMB163.2 million (the corresponding period in 2019: approximately RMB218.1 million), representing a year-on-year decrease of 25.1%, which was mainly attributable to our continued improvement in the intensive management of marketing activities and the decrease in the marketing promotion and activities resulting from the impact of the COVID-19 outbreak.

Administrative Expenses

In the first half of 2020, our administrative expenses amounted to approximately RMB118.3 million (the corresponding period in 2019: approximately RMB149.8 million), representing a year-on-year decrease of 21.0%, which was mainly attributable to our continued improvement in the intensive management of back-end departments and the decrease in the daily administrative expenses including business travel resulting from the impact of the COVID-19 outbreak.

Research and Development Expenses

In the first half of 2020, the Company continued to maintain its R&D efforts and focused its main efforts to develop products and solutions for the Emerging Businesses and middle office technological system. Our R&D expenses amounted to approximately RMB351.5 million (the corresponding period in 2019: approximately RMB381.7 million), representing a year-on-year decrease of 7.9%. R&D expenses accounted for approximately 14.0% of the revenue (the corresponding period in 2019: approximately 15.4%), representing a year-on-year decrease of 1.4 percentage points, which was mainly attributable to our continued improvement in the intensive management of technological R&D and the decrease in expense due to the COVID-19 outbreak.

Income Tax Expenses

In the first half of 2020, the income tax expenses amounted to approximately RMB57.6 million (the corresponding period in 2019: approximately RMB52.8 million), of which, withholding income tax accrued for declaring final dividends was approximately RMB9.3 million (the corresponding period in 2019: approximately RMB2.9 million), which was the main reason for the increase in income tax expenses in 2020 as compared with the corresponding period of last year.

Net Profit

In the first half of 2020, our net profit amounted to approximately RMB232.6 million (the corresponding period in 2019: approximately RMB70.7 million), representing a year-on-year increase of 228.8%. The increase in net profit was mainly due to the constant business expansion, management improvement and procedure optimisation by the Company.

Non-HKFRSs Measurement Indicators

Indicators such as adjusted net profit provide useful information for investors and others to compare operating performance across different periods and different companies by eliminating the potential impact of items which are, in the view of our management, not indicative of the business performance of the Company. Meanwhile, the management of the Company also adopts the same approach to understand and assess our operating results. Starting from 2020, the impact of reconciliation items has significantly been decreased.

The adjusted net profit in the first half of 2020 amounted to approximately RMB280.4 million (the corresponding period in 2019: approximately RMB254.7 million). The following table reconciles our adjusted net profit for the periods indicated to the net profit in accordance with HKFRSs:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Reconciliation of net profit to adjusted net profit		
Net profit	232,567	70,732
Add:		
Pre-IPO share-based compensation plan related expenses	38,867	175,608
Amortisation of intangible assets arising from acquisition	5,184	7,566
Interest expenses for the privatisation of syndicated loan	—	11,373
Exchange loss/(gain), net	3,820	(10,613)
	<u>280,438</u>	<u>254,666</u>
Adjusted net profit	280,438	254,666

Goodwill

The goodwill was primarily arisen from the acquisition of Linkage Technologies International Holdings Limited on 1 July 2010 for the purpose of business combination. As at 30 June 2020, our total goodwill amounted to approximately RMB1,932.2 million (31 December 2019: approximately RMB1,932.2 million). The Company appoints a professional independent valuer to conduct impairment assessment on the goodwill at the year-end annually. During the Reporting Period, we had not identified any indication of impairment for goodwill and had not recorded any impairment loss for goodwill.

Significant Investments Held, Significant Acquisitions or Disposals of Subsidiaries and Related Capital Asset Acquisition or Future Plans for Significant Investments

During the Reporting Period, the Group had no significant investments held or significant acquisitions and disposals of subsidiaries. As at 30 June 2020, the Group had no capital asset acquisitions or future plans for significant investments or disposals of subsidiaries.

Borrowing

As of 30 June 2020, we had total bank borrowings of approximately RMB858.0 million (31 December 2019: approximately RMB594.4 million), representing a year-on-year increase of 44.4%, which was mainly due to the new bank borrowing used to satisfy short-term capital demand. The gearing ratio¹ was approximately 21.5% (31 December 2019: approximately 16.9%), maintaining within an appropriate range.

Note 1: A gearing ratio is calculated by dividing total bank borrowings by total equity and times 100%.

Assets Pledged

As of 30 June 2020, pledged bank deposits amounting to approximately RMB503.9 million (31 December 2019: approximately RMB349.9 million) had been pledged to secure bank borrowings, letters of guarantee and notes payable.

Contingent Liabilities

As of 30 June 2020, the Group had no significant contingent liabilities.

Cash Flow

In the first half of 2020, our net cash used in operating activities was approximately RMB181.1 million (the corresponding period in 2019: net cash used was approximately RMB358.2 million), representing a change of 49.4% as compared with the corresponding period of last year, which was mainly attributable to the Company's continued enhancement in the intensive management of capital and the decrease in the daily payment resulting from the impact of the COVID-19 outbreak.

In the first half of 2020, our net cash used in investing activities was approximately RMB139.0 million, which was mainly attributable to the placement of term deposits. In the corresponding period in 2019, we recorded net cash generated from investing activities of approximately RMB978.4 million, which was mainly attributable to the release of the pledged bank deposits.

In the first half of 2020, our net cash generated from financing activities was approximately RMB169.8 million, which was mainly attributable to the new bank borrowings. In the corresponding period in 2019, net cash outflow used in financing activities of approximately RMB1,334.7 million, which was mainly attributable to the repayment of bank borrowings.

Interim Dividend

The Board resolved not to declare any interim dividend for the six months ended 30 June 2020.

USE OF NET PROCEEDS FROM LISTING

Our shares were listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 19 December 2018. The net proceeds raised during the period of initial public offering (after deducting the underwriting commission and the issuance expenses from listing and prior to the exercise of the over-allotment option in January 2019) were approximately HK\$871.1 million. Due to the issue and allotment of over-allotment shares pursuant to the partial exercise of over-allotment options on 15 January 2019, additional net proceeds of approximately HK\$30.5 million were raised. During the Reporting period, the Group had not changed the use of net proceeds as disclosed in the prospectus and the annual report of the Company for the year ended 31 December 2019. Further details of the use of net proceeds will be disclosed in the interim report of the Company for the Reporting Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company strives to maintain high standards of corporate governance in order to safeguard the interests of its shareholders and enhance the corporate value and accountability. The Company has adopted the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of corporate governance. During the Reporting Period, the Company had applied the principles of the CG Code on the Company’s corporate governance structure and operation, and had complied with all applicable code provisions of the CG Code. The Company will continue to review and oversee the corporate governance practices to ensure its compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, save for the purchase of the 3,473,600 shares for the purpose of satisfying the share awards under the share award scheme adopted by the Board on 7 January 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

EVENTS AFTER THE REPORTING PERIOD

No major subsequent events affecting the Group have occurred since the end of the Reporting Period and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company had, together with the management and external auditor of the Company, reviewed the accounting principles and practices adopted by the Company and the unaudited interim results of the Group for the six months ended 30 June 2020.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND 2020 INTERIM REPORT OF THE GROUP

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.asiainfo.com) and the 2020 interim report containing all the information required by the Listing Rules will be dispatched to the shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
AsiaInfo Technologies Limited
Dr. TIAN Suning
Chairman and Executive Director

Hong Kong, 17 August 2020

As at the date of this announcement, the Board comprises Dr. TIAN Suning, Mr. DING Jian and Mr. GAO Nianshu as executive Directors; Mr. ZHANG Yichen, Mr. XIN Yuesheng and Mr. ZHANG Liyang as non-executive Directors; and Dr. GAO Jack Qunyao, Dr. ZHANG Ya-Qin and Mr. GE Ming as independent non-executive Directors.