



AsialInfo Technologies Limited

(Incorporated in the British Virgin Islands with limited liability)
Stock Code: 01675



**INTEGRATES
EVERYTHING**
INTERIM REPORT 2020



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DEFINITION AND GLOSSARY OF TECHNICAL TERMS

DEFINITIONS

In this interim report, unless the context otherwise requires, the following expressions have the following meanings:

“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“CAICT”	the China Academy of Information and Communications Technology
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“China Mobile Group”	China Mobile Limited and its subsidiaries
“Company”, “AsialInfo” or “AsialInfo Technologies”	AsialInfo Technologies Limited (亞信科技控股有限公司), an international business company incorporated in the British Virgin Islands on 15 July 2003 whose Shares are listed on the Stock Exchange (stock code: 1675)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HKFRSs”	Hong Kong Financial Reporting Standards
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC” or “China”	the People’s Republic of China
“Pre-IPO Restricted Share Award Scheme”	the pre-IPO restricted share award scheme of the Company
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme of the Company
“Prospectus”	the prospectus of the Company dated 6 December 2018
“R&D”	research and development
“Reporting Period”	the six months ended 30 June 2020
“RMB”	Renminbi, the lawful currency of the PRC
“RSU”	the restricted share units in relation to the Pre-IPO Restricted Share Award Scheme
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	China Mobile International Holdings Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of China Mobile Limited

DEFINITION AND GLOSSARY OF TECHNICAL TERMS

“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 14 April 2020 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Shares”	182,259,893 new Shares to be allotted and issued by the Company to the Subscriber pursuant to the Subscription Agreement
“2019 Share Option Scheme”	the share option scheme adopted by the Company on 25 November 2019
“2020 Share Award Scheme”	the share award scheme adopted by the Company on 7 January 2020
“%”	per cent

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this interim report that are related to business of the Group. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

“AI”	artificial intelligence
“BSS”	business support systems, used for the management of customer information, customer business and service processes and customer related services and resources, often used together with OSS to form end-to-end comprehensive business and operation management systems for the telecom industry
“B domain”	BSS domain
“DevOps”	development and operation system
“DSaaS”	data-driven operation, namely the date-driven SaaS operation services
“Emerging Business”	consists of OSS, DSaaS and vertical industries and enterprises cloudification businesses
“IT”	information technology, the application of computers and telecommunications equipment to store, retrieve, transmit and manipulate data
“MSP”	managed service provider
“NFV”	network functions virtualisation
“NSA/SA”	non-standalone/standalone
“OSS”	operations support systems, a software solution used by the software solutions telecom operators for supporting their network operations, often used together with BSS to support various end-to-end telecommunications services
“O domain”	OSS domain
“SA”	standalone
“SaaS”	software as a service, a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted
“SMS”	short messaging service
“3GPP”	3rd Generation Partnership Project
“5G”	the fifth-generation of mobile telecommunications technology which has higher speeds and capacity and lower latency than 4G

Financial Highlights

	For the six months ended 30 June		
	2020	2019	Changes
Number of customers			
Telecom operator customers	262	225	16.4%
Large enterprise customers	64	43	48.8%
Financial data			
	RMB million	RMB million	
Operating revenue	2,504.1	2,479.3	1.0%
Including: Emerging Businesses' revenue	229.7	129.3	77.7%
Gross profit	893.7	868.5	2.9%
Gross margin	35.7%	35.0%	0.7 percentage point
Net profit	232.6	70.7	228.8%
Net profit margin	9.3%	2.9%	6.4 percentage point
Adjusted net profit¹	280.4	254.7	10.1%
Adjusted net profit margin¹	11.2%	10.3%	0.9 percentage point
Net cash used in operating activities	(181.1)	(358.2)	(49.4)%

Note 1: 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 report 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, HKFRSs 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 HKFRSs. Please refer to "MANAGEMENT DISCUSSION AND ANALYSIS – Non-HKFRSs 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 BSS market, and for the 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 Group still showed 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.



CHAIRMAN'S STATEMENT

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.

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 approximately 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 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 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 obtained orders to construct the 5G NFV and 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

CHAIRMAN'S STATEMENT

operation system was cutover and launched to achieve the commercial implementation of multiple achievements and promote the integration of B domain and O 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 AI 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 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 CRM, data management, DevOps and cloud service management (Cloud MSP), with breakthrough achievements in relevant industries.

In the finance sector, we secured insurance orders from insurer 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 the 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 the 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, 3GPP, International Telecommunication Union, TeleManagement Forum, IEEE, O-RAN and other industry organisations actively,

CHAIRMAN'S STATEMENT

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 the Subscription Agreement with a wholly-owned subsidiary of China Mobile Limited, in which the latter will hold nearly 20% of the Shares upon completion of the Subscription. The Subscription by 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 have full confidence 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 the emerging technologies by integrating 5G, AI, 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.

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 the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 the 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 the 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%).

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 expense 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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-HKFRS_s 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 RMB'000	2019 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)
Adjusted net profit	280,438	254,666

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION

The financial position of the Group remained sound and healthy. As of 30 June 2020, our total assets amounted to approximately RMB7,608.8 million (31 December 2019: approximately RMB7,540.6 million). Our total liabilities amounted to approximately RMB3,625.8 million (31 December 2019: approximately RMB3,633.4 million).

NET CURRENT ASSETS

As at 30 June 2020, our net current assets amounted to approximately RMB1,544.0 million (31 December 2019: approximately RMB1,246.8 million), representing a year-on-year increase of 23.8%, which was mainly due to non-current term deposits transferred to current assets as well as the increase in contract assets over the progress of projects.

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 has appointed 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 AND 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.

BORROWINGS

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 Group will repay the borrowing in due course as agreed in the relevant banking facilities. The gearing ratio¹ was approximately 21.5% (31 December 2019: approximately 16.9%), maintaining within an appropriate range.

Note:

1. Gearing ratio was calculated by dividing total bank borrowings by total equity 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 (31 December 2019: Nil).

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

During the Reporting Period, we had bank balances and bank borrowings denominated in the United States dollars, thus exposing ourselves to currency risks, and we did not apply any derivative contracts to hedge against such currency risks. Our management manages our currency risk by monitoring the movement of the foreign currency exchange rates and will consider hedging significant foreign currency exposure should such need arise.

GENERAL

Save as otherwise disclosed in this interim report, no other information relating to the Company's results and financial position had been changed materially from the information disclosed in the annual report of the Company for the year ended 31 December 2019.

OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding the securities transactions of the Directors. Upon specific enquiry, all Directors have confirmed that they have complied with the standards set out in the Model Code during the Reporting Period.

AUDIT COMMITTEE

The Audit Committee has, together with the management and external auditor of the Company, reviewed the accounting principles and practices adopted by the Group and the unaudited interim results of the Group for the Reporting Period. The Audit Committee has also reviewed the effectiveness of risk management and internal control systems of the Company and believed that the risk management and internal control systems are effective and adequate.

CHANGES IN DIRECTORS' INFORMATION

On 30 April 2020, Mr. GE Ming (an independent non-executive Director) retired as an independent non-executive director of Chong Sing Holdings FinTech Group Limited whose shares are listed on GEM of Stock Exchange (stock code: 08207).

Dr. ZHANG Ya-Qin (an independent non-executive Director) joined Tsinghua University in July 2020 as a Chair Professor of "Intelligent Science" and led the establishment of the Institute for AI Industry Research of Tsinghua University.

Mr. ZHANG Yichen (a non-executive Director) was appointed as a non-executive director of Frontier Services Group Limited whose shares are listed on the Stock Exchange (stock code: 00500) on 24 March 2020 and an independent non-executive director of China Vanke Co., Ltd whose shares are listed on the Stock Exchange (stock code: 2202) on 30 June 2020, respectively.

Save as disclosed above, the Directors confirm that no other information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save for the purchase by the trustee pursuant to the 2020 Share Award Scheme as disclosed in the section "2020 Share Award Scheme" below, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

CORPORATE GOVERNANCE PRACTICES

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 CG Code as its own code of corporate governance. During the Reporting Period, the Company has applied the principles of CG Code on the Company's corporate governance structure and operation in the manner as stated in this interim report, and has complied with all applicable code provisions of the CG Code. The Company will continue reviewing and overseeing the corporate governance practices to ensure its compliance with the CG Code.

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required under Section 352 of the SFO to be recorded in the register to be kept under that section, or which would be required under the Model Code to be notified to the Company and the Stock Exchange, are as follows:

Name of Director/ chief executive	Nature of interest (Note 1)	Number of Shares	Percentage of total number of Shares in issue (Note 2)
Dr. TIAN Suning ¹	Beneficial owner (L)	42,961,400	5.89%
	Interest in controlled corporation (L)	20,302,368	2.78%
	Interest in controlled corporation (L)	31,209,360	4.28%
	Interest in controlled corporation (L)	39,442,000	5.41%
		<u>133,915,128</u>	<u>18.36%</u>
Mr. DING Jian ²	Beneficial owner (L)	11,516,704	1.58%
	Interest in controlled corporation (L)	1,198,440	0.16%
		<u>12,715,144</u>	<u>1.74%</u>
Mr. GAO Nianshu ³	Beneficiary of a trust (L)	596,792	0.08%
	Other (L)	8,346,424	1.15%
		<u>8,943,216</u>	<u>1.23%</u>
Mr. ZHANG Yichen ⁴	Interest in controlled corporation (L)	213,924,952	29.34%
Dr. GAO Jack Qunyao ⁵	Beneficial owner (L)	112,000	0.02%
Dr. ZHANG Ya-Qin ⁵	Beneficial owner (L)	112,000	0.02%
Mr. GE Ming ⁵	Beneficial owner (L)	112,000	0.02%

OTHER INFORMATION

Notes:

1. (L) — Long position; (S) — Short position.
2. As at 30 June 2020, a total of 729,168,772 Shares had been in issue.
- ¹ Dr. TIAN is the sole shareholder of Info Addition Limited which in turn is a general partner of Info Addition Capital Limited Partnership. As such, Dr. TIAN is deemed to be interested in the 20,302,368 Shares in which Info Addition Capital Limited Partnership is interested. Dr. TIAN indirectly has full control over CBC Partners II L.P. which is the general partner of China Broadband Capital Partners II, L.P. which in turn is the sole shareholder of CBC TMT III Limited. Therefore, Dr. TIAN is deemed to be interested in the 31,209,360 Shares in which CBC TMT III Limited is interested. PacificInfo Limited is wholly owned by Dr. TIAN and therefore Dr. TIAN is deemed to be interested in 39,442,000 Shares in which PacificInfo Limited is interested.
- ² New Media China Investment I Limited is wholly owned by Mr. DING and therefore Mr. DING is deemed to be interested in the 1,198,440 Shares in which New Media China Investment I Limited is interested.
- ³ These interests comprise (i) 4,547,768 Shares; (ii) 3,798,656 underlying Shares in respect of the outstanding share options granted to Mr. GAO under the Pre-IPO Share Option Scheme were held by the custodian, Noble (Nominees) Limited; and (iii) 596,792 underlying Shares in respect of the outstanding RSUs granted to Mr. GAO under the Pre-IPO Restricted Share Award Scheme were held by the trustee, AsialInfo Technologies Trust II.
- ⁴ Each of Power Joy (Cayman) Limited (as the controlling shareholder of Skipper Investment Limited), CITIC Capital China Partners II L.P. (as the sole shareholder of Power Joy (Cayman) Limited), CCP II GP, Ltd. (as the general partner of CITIC Capital China Partners II L.P.), CCP LTD (as the general partner of CCP II GP, Ltd. and the shareholder of CCP II Advisory Ltd.), CITIC Capital Partners Limited (as the sole shareholder of CCP LTD), CITIC Capital Holdings Limited and CP Management Holdings Limited (which hold 51% and 49% shareholding of CITIC Capital Partners Limited, respectively) and Mr. ZHANG Yichen (as the sole shareholder of CP Management Holdings Limited) is deemed or taken to be interested in all the 213,924,952 Shares which are beneficially owned by Skipper Investment Limited for the purpose of Part XV of the SFO.
- ⁵ The Company granted 112,000 share options to each of Dr. GAO Jack Qun Yao, Dr. ZHANG Ya-Qin and Mr. GE Ming, all of whom are independent non-executive Directors, under the 2019 Share Option Scheme, respectively, details of which are set out in the announcement of the Company dated 16 June 2020.

Save as disclosed above, none of the Directors nor chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange; or which would be required to be registered in the register to be kept pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, to the best of knowledge of the Directors, the following persons (other than the Directors and chief executives of the Company) have interests or short positions in the Shares or underlying Shares which would fall under the Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which would be required to be recorded in the register required to be kept under Section 336 of the SFO:

Name of shareholder	Nature of interest (Note 1)	Number of Shares	Percentage of total number of Shares in issue (Note 2)
Skipper Investment Limited ⁶	Beneficial owner (L)	213,924,952	29.34%
Power Joy (Cayman) Limited ⁶	Interest in controlled corporation (L)	213,924,952	29.34%
CITIC Capital China Partners II L.P. ⁶	Interest in controlled corporation (L)	213,924,952	29.34%
CCP II GP, Ltd. ⁶	Interest in controlled corporation (L)	213,924,952	29.34%
CCP II Advisory Ltd. ⁶	Investment manager (L)	213,924,952	29.34%
CCP LTD ⁶	Interest in controlled corporation (L)	213,924,952	29.34%
CITIC Capital Partners Limited ⁶	Interest in controlled corporation (L)	213,924,952	29.34%
中信資本控股有限公司 ⁶	Interest in controlled corporation (L)	213,924,952	29.34%
CP Management Holdings Limited ⁶	Interest in controlled corporation (L)	213,924,952	29.34%
CA Software Investment Limited ⁷	Beneficial owner (L)	62,418,728	8.56%

Notes:

1. (L) — Long position; (S) — Short position.
2. As at 30 June 2020, a total of 729,168,772 Shares had been in issue.

⁶ Each of Power Joy (Cayman) Limited (as the controlling shareholder of Skipper Investment Limited), CITIC Capital China Partners II L.P. (as the sole shareholder of Power Joy (Cayman) Limited), CCP II GP, Ltd. (as the general partner of CITIC Capital China Partners II L.P.), CCP LTD (as the general partner of CCP II GP, Ltd. and the shareholder of CCP II Advisory Ltd.), CITIC Capital Partners Limited (as the sole shareholder of CCP LTD), CITIC Capital Holdings Limited and CP Management Holdings Limited (which hold 51% and 49% shareholding of CITIC Capital Partners Limited, respectively) and Mr. ZHANG Yichen (as the sole shareholder of CP Management Holdings Limited) is deemed or taken to be interested in all the Shares which are beneficially owned by Skipper Investment Limited for the purpose of Part XV of the SFO.

OTHER INFORMATION

Name of shareholder	Nature of interest (Note 1)	Number of Shares	Percentage of total number of Shares in issue (Note 2)
CPEChina Fund, L.P. ⁷	Interest in controlled corporation (L)	62,418,728	8.56%
CITIC PE Associates, L.P. ⁷	Interest in controlled corporation (L)	62,418,728	8.56%
CITIC PE Funds Limited ⁷	Interest in controlled corporation (L)	62,418,728	8.56%
CITICPE Holdings Limited ⁷	Interest in controlled corporation (L)	62,418,728	8.56%
Noble (Nominees) Limited ⁸	Custodian (L)	48,079,828	6.59%
The Core Trust Company Limited ⁸	Custodian (L)	48,079,828	6.59%
Ellington Investments Pte. Ltd. ⁹	Beneficial owner (L)	52,015,608	7.13%
Bartley Investments Pte. Ltd. ⁹	Interest in controlled corporation (L)	52,015,608	7.13%
Tembusu Capital Pte. Ltd. ⁹	Interest in controlled corporation (L)	52,015,608	7.13%
Temasek Holdings (Private) Limited ⁹	Interest in controlled corporation (L)	52,015,608	7.13%
Al Gharrafa Investment Company ¹⁰	Beneficial owner (L)	52,015,608	7.13%
Qatar Holding LLC ¹⁰	Interest in controlled corporation (L)	52,015,608	7.13%
Qatar Investment Authority ¹⁰	Interest in controlled corporation (L)	52,015,608	7.13%
InnoValue Capital Ltd. ¹¹	Beneficial owner (L)	52,015,608	7.13%
Ms. LIU Tzu-Lien ¹¹	Interest in controlled corporation (L)	52,015,608	7.13%
PacificInfo Limited ¹²	Beneficial owner (L)	39,442,000	5.41%
China Mobile (Hong Kong) Group Limited ¹³	Interest in controlled corporation (L)	182,259,893	25.00%
China Mobile Communications Group Co., Ltd. ¹³	Interest in controlled corporation (L)	182,259,893	25.00%
China Mobile Hong Kong (BVI) Limited ¹³	Interest in controlled corporation (L)	182,259,893	25.00%
China Mobile Limited ¹³	Interest in controlled corporation (L)	182,259,893	25.00%

Notes:

- (L) — Long position; (S) — Short position.
- As at 30 June 2020, a total of 729,168,772 Shares had been in issue.

OTHER INFORMATION

- ⁷ Each of CPEChina Fund, L.P. (as the sole shareholder of CA Software Investment Limited), CITIC PE Associates, L.P. (as the general partner of CPEChina Fund, L.P.), CITIC PE Funds Limited (as the general partner of CITIC PE Associates, L.P.) and CITICPE Holdings Limited (as the controlling shareholder of CITIC PE Funds Limited) is deemed or taken to be interested in all the Shares which are beneficially owned by CA Software Investment Limited for the purpose of Part XV of the SFO.
- ⁸ Noble (Nominees) Limited is the wholly-owned subsidiary of The Core Trust Company Limited. Such Shares are held in the interest of certain participants of the Pre-IPO Share Option Scheme of the Company.
- ⁹ Each of Bartley Investments Pte. Ltd. (as the sole shareholder of Ellington Investments Pte. Ltd.), Tembusu Capital Pte. Ltd. (as the sole shareholder of Bartley Investments Pte. Ltd.) and Temasek Holdings (Private) Limited (as the sole shareholder of Tembusu Capital Pte. Ltd.) is deemed or taken to be interested in all the Shares which are beneficially owned by Ellington Investments Pte. Ltd. for the purpose of Part XV of the SFO.
- ¹⁰ Each of Qatar Holding LLC (as the sole shareholder of Al Gharrafa Investment Company) and Qatar Investment Authority (as the sole shareholder of Qatar Holding LLC) is deemed or taken to be interested in all the Shares which are beneficially owned by Al Gharrafa Investment Company for the purpose of Part XV of the SFO.
- ¹¹ Ms. LIU Tzu-Lien (as the sole shareholder of InnoValue Capital Ltd.) is deemed or taken to be interested in all the Shares which are beneficially owned by InnoValue Capital Ltd. for the purpose of Part XV of the SFO.
- ¹² Same for the interest as disclosed in Note (1) in the section headed "Interests and Short Positions of the Directors and Chief Executives in the Shares, Underlying Shares and Debentures" in this interim report.
- ¹³ Pursuant to the Subscription Agreement entered into between the Company and the Subscriber on 14 April 2020, the Subscriber has agreed to subscribe for 182,259,893 new Shares, representing (i) approximately 24.9956% of the total number of issued Shares as at 30 June 2020; and (ii) approximately 19.9972% of the total number of issued Shares as enlarged only by the allotment and issue of the Subscription Shares and assuming that there will be no further change in the total number of issued Shares between 30 June 2020 and the date of completion. The Subscriber is wholly owned by China Mobile Limited, which is owned as to 72.72% by China Mobile Hong Kong (BVI) Limited. China Mobile Hong Kong (BVI) Limited is wholly owned by China Mobile (Hong Kong) Group Limited, which is wholly owned by China Mobile Communications Group Co., Ltd. Therefore, each of China Mobile (Hong Kong) Group Limited, China Mobile Communications Group Co., Ltd., China Mobile Hong Kong (BVI) Limited and China Mobile Limited is deemed or taken to be interested in the interests acquired by the Subscriber for the purpose of Part XV of the SFO.

Save as disclosed above, as at 30 June 2020, to the best of the Directors' knowledge, there was no other person (other than the Directors and chief executives of the Company) had interests or short positions in the Shares or underlying Shares which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this interim report, at no time during the Reporting Period did the Company or any of its subsidiaries to enter into any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their respective spouses or children under the age of 18 were granted any right to subscribe for the share capital or debt securities of the Company or any other body corporate or had exercised any such right.

USE OF NET PROCEEDS FROM LISTING

The Shares were listed on 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 issuance 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. The net proceeds were intended to be used in accordance with the intended purposes disclosed in the Prospectus.

OTHER INFORMATION

The following table sets forth the details of proceeds utilised by the Group as of 30 June 2020:

	Proceeds from initial public offering	Proceeds utilised up to 30 June 2020	Unutilised funds as at 30 June 2020	Expected timeline for unutilised funds
	HK\$'000	HK\$'000	HK\$'000	
Enhance R&D capabilities and expand data-driven operating services, Internet of Things and 5G intelligent network business (35%)	315,547	315,547	—	
Repay bank loans (30%)	270,469	270,469	—	
Strategic investments and acquisitions (25%)	225,391	—	225,391	31 December 2021 (Note 1)
Working capital and other general corporate purposes (10%)	90,156	90,156	—	
Total	901,563	676,172	225,391	

Note 1: The expected timeline for utilising the unutilised funds is based on the best estimation of the future market conditions made by the Group. It may be subject to change based on the current and future development of market conditions.

PRE-IPO SHARE OPTION SCHEME

The Pre-IPO Share Option Scheme was approved and adopted by the Shareholders on 26 June 2018, in order to grant eligible members of the management and employees such related share-based compensation. The remuneration committee of the Company will, from time to time, determine eligibility of participants to be granted any option as incentive pursuant to, including but not limited to, the current and expected contribution of such participant, the general financial position of the Group, the general business targets and future plans of the Group. Please refer to the Prospectus for further information of the Pre-IPO Share Option Scheme.

OTHER INFORMATION

The particulars of outstanding options under the Pre-IPO Share Option Scheme at the beginning and at the end of the six months period ended 30 June 2020, including number of options, date of grant, vesting period, exercise period and exercise price, are as follows:

Grantees	Date of Grant ¹	Outstanding as at 1 January 2020	Number of options exercised/lapsed during the period from 1 January 2020 to 30 June 2020		Outstanding as at 30 June 2020	Exercise Price (US\$)
			Exercised	Lapsed		
Director						
GAO Nianshu	11 July 2018	800,000	—	—	800,000 ²	1.9225
	1 August 2018	2,998,656	—	—	2,998,656 ³	1.2725
<i>Sub-total</i>		<i>3,798,656</i>	<i>—</i>	<i>—</i>	<i>3,798,656</i>	
Other employees and advisors						
	11 July 2018	947,600	104,200	8,800	834,600 ²	0.5525
	1 August 2018	19,704	5,480	1,024	13,200 ⁴	0.5525
	11 July 2018	120,000	120,000	—	0	0.7925
	1 August 2018	56,000	10,000	4,800	41,200 ⁵	0.84
	11 July 2018	548,000	100,000	—	448,000 ²	0.92375
	11 July 2018	520,000	—	—	520,000 ²	1.13
	1 August 2018	25,272,800	268,400	896,248	24,108,152 ⁶	1.2725
	11 July 2018	29,679,968	—	1,578,208	28,101,760 ²	1.9225
	1 August 2018	53,149,184	—	2,253,728	50,895,456 ⁷	1.9225
<i>Sub-total</i>		<i>110,313,256</i>	<i>608,080⁸</i>	<i>4,742,808</i>	<i>104,962,368</i>	
Total		114,111,912	608,080	4,742,808	108,761,024	

Notes:

- The validity period of all the options is ten (10) years from the date of grant.
- The options were fully vested.
- For all these outstanding options, save for 899,600 options which will be vested on 18 January 2021, all other options have been fully vested.
- For all these outstanding options, save for 6,480 options which will be vested on 18 January 2021, all other options have been fully vested.
- For all these outstanding options, save for 14,400 options which will be vested on 18 January 2021, all other options have been fully vested.
- For all these outstanding options, save for 7,271,152 options which will be vested on 18 January 2021, all other options have been fully vested.
- For all these outstanding options, save for 15,204,992 options which will be vested on 18 January 2021, all other options have been fully vested.
- The weighted average closing price immediately before the dates of the exercise of the options was approximately HK\$10.10

OTHER INFORMATION

2019 Share Option Scheme

The eligible participants of the 2019 Share Option Scheme approved and adopted by the Shareholders of the Company on 25 November 2019 include any director(s), employee(s) or consultant(s) of the Group who the remuneration committee of the Company considers, in its sole discretion, has/have contributed or will contribute to the Group. For further details of the 2019 Share Option Scheme, please refer to the circular of the Company dated 4 November 2019.

On 16 June 2020, the Company granted a total of 14,516,000 share options to 156 eligible participants of the Group under the 2019 Share Option Scheme. Each option shall entitle the grantee to subscribe for one Share upon exercise of such option at an exercise price of HK\$9.56 per Share (Note 1).

Grantee	Number of underlying Shares of share options outstanding as at 1 January 2020	Share options granted during the period from 1 January 2020 to 30 June 2020 (Note 2)	Share options exercised during the period from 1 January 2020 to 30 June 2020	Share options lapsed during the period from 1 January 2020 to 30 June 2020	Number of underlying Shares of share options outstanding as at 30 June 2020
Directors					
Dr. GAO Jack Qunyao	N/A	112,000	—	—	112,000
Dr. ZHANG Ya-Qin	N/A	112,000	—	—	112,000
Mr. GE Ming	N/A	112,000	—	—	112,000
Other employees (in total)	N/A	14,180,000	—	350,000	13,830,000
Total of all grantees	N/A	14,516,000	—	350,000	14,166,000

Notes:

- The closing price was HK\$9.18 per Share immediately before the date of granting.
- The validity period of options is ten (10) years commencing from the date of grant, and 50%, 20% and 30% of the options granted shall be vested on the date falling on the first, second and third anniversary from the date of grant, respectively. The Company has used the Binomial Model to determine the fair value of the options as at the date of grant, which is to be recorded in profit or loss over the vesting period. The weighted average fair value of the options granted by the Company was HK\$3.52 per share. Other than the exercise price mentioned above, the model inputs to determine the fair value of options included:

	Granted on 16 June 2020
Closing price as at the date of grant	HK\$9.05
Risk free interest rate	0.53%
Expected dividend yield	2.5%
Expected volatility	49%

PRE-IPO RESTRICTED SHARE AWARD SCHEME

Our Shareholders approved and adopted the Pre-IPO Restricted Share Award Scheme on 26 June 2018, in order to grant eligible members of the management and employees such related share-based compensation. The remuneration committee of the Company will, from time to time, determine eligibility of participants to be granted any RSUs pursuant to, including but not limited to, the current and expected contribution of such participant, the general financial position of the Group, the general business targets and future plans of the Group. Please refer to the Prospectus for further information of the Pre-IPO Restricted Share Award Scheme. The weighted average grant date fair value is US\$1.21.

Name of grantee of RSUs	Number of Shares in relation to outstanding RSUs as at 1 January 2020	RSUs vested during the period from 1 January 2020 to 30 June 2020	RSUs lapsed during the period from 1 January 2020 to 30 June 2020	Number of Shares in relation to outstanding RSUs as at 30 June 2020
Director				
GAO Nianshu	907,984	311,192	—	596,792
Other employees (in total)	<u>6,708,212</u>	<u>2,204,584</u>	<u>158,048</u>	<u>4,345,580</u>
Total of all grantees	<u>7,616,196</u>	<u>2,515,776</u>	<u>158,048</u>	<u>4,942,372</u>

2020 Share Award Scheme

On 7 January 2020, the Board adopted the 2020 Share Award Scheme for the purposes of (i) recognising the contributions and to fully motivate the potential and vitality of talents of the eligible persons; and (ii) encouraging the eligible persons to continue contributing to the long-term growth and development of the Group. Subject to the criteria and conditions of the 2020 Share Award Scheme, any core management personnel whom the Board or the remuneration committee of the Company or their respective delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group is eligible to receive an award.

According to the 2020 Share Award Scheme, the Company may transfer to the trustee the necessary funds and instruct the trustee to acquire Shares through market transactions at the prevailing market price or through the over-the-counter markets at the price determined by the Company, so as to satisfy the awards. During the Reporting Period, the trustee purchased a total of 3,473,600 Shares on the Stock Exchange.

As at the date of this interim report, the Company has not granted any Shares under the 2020 Share Award Scheme. For further details of the 2020 Share Award Scheme, please refer to the announcements of the Company dated 8 January 2020 and 27 February 2020, respectively.

OTHER INFORMATION

Issue of Shares

On 14 April 2020, the Company and the Subscriber (a wholly-owned subsidiary of China Mobile Limited, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 00941) and the American Depositary Shares of which are listed on the New York Stock Exchange (stock code: CHL)) entered into the Subscription Agreement under which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for 182,259,893 new Shares (with an aggregate nominal value of approximately HK\$2.3), representing (i) approximately 24.88% of the total number of issued Shares immediately before the completion of the Subscription on 2 September 2020 (the “**Completion**”); and (ii) approximately 19.92% of the total number of issued Shares as enlarged only by the allotment and issue of the Subscription Shares immediately after the Completion at the subscription price of HK\$7.6 per Subscription Share. The closing price per Share as quoted on the Stock Exchange on the date of signing of the Subscription Agreement was HK\$10.5. The Directors consider that the Subscription could consolidate the Company’s financial position to provide the Group with additional fundings for exploring future development. The Shareholders subsequently approved the Subscription on 18 June 2020.

Upon Completion, the gross proceeds and net proceeds are approximately HK\$1,385.2 million and approximately HK\$1,384.1 million, respectively. The net issue price per Subscription Share will be approximately HK\$7.6. The Company currently intends to use the net proceeds from the Subscription in the following manner: (i) approximately 40% will be applied for the Group’s R&D on new products and new technologies and the development of the OSS, data-driven operation, vertical industry and enterprises cloudification business; (ii) approximately 35% will be applied for investment or acquisition of assets and businesses that are complementary to the Group’s business and consistent with the Group’s development strategy; and (iii) approximately 25% will be used as general working capital of the Group (of which, approximately 15% will be used for administrative purposes (such as salaries and benefits, professional service fees, lease payments and others) and approximately 10% will be used for sales and marketing purposes (such as salaries and benefits, travelling and entertainment expenses, marketing activities and others).

EMPLOYMENT MANAGEMENT

During the Reporting Period, the Group had strictly complied with the Labor Law of the PRC and the Labor Contract Law of the PRC and other applicable laws and regulations. The labor contracts were entered into on an equal and voluntary basis in order to protect the rights of both employees and employers and build an equal labor relationship. Meanwhile, the Group has strictly complied with the Provisions on the Prohibition of Using Child Labor and will not employ child labor under any circumstances. As of 30 June 2020, the total number of employees of the Group was 12,859 (31 December 2019: 13,239).

OTHER INFORMATION

REMUNERATION AND BENEFITS

Staff remuneration mechanism consists of salary and annual bonus. The Group will pay pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance and housing provident fund according to law. In addition, the Group provides life and medical insurance, supplemental insurance benefits, health checks, holidays and various kinds of benefits.

PERFORMANCE MANAGEMENT AND STAFF DEVELOPMENT

To ensure the fulfillment of the strategic development goals of the Company, the Group continues to improve the performances of the Group and the staff by way of performance management, and facilitates continuous development of the staff's capabilities. Through position promotion measures, the Group effectively identifies potential talents and creates a career development platform for its employees. Aiming at enhancing the core competitiveness of the Group and cultivating excellent teams of employees and managers, the Group provides diverse opportunities of education and training in line with the business growth needs and the staff's career development.

EVENTS AFTER THE REPORTING PERIOD

Reference is made to the announcement of the Company dated 2 September 2020, the Completion of the Subscription took place on 2 September 2020.

Saved as disclosed above, no major subsequent events affecting the Group have occurred since the end of the Reporting Period and up to the date of this interim report.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Incorporate in the British Virgin Islands with Limited Liability)



TO THE BOARD OF DIRECTORS OF ASIAINFO TECHNOLOGIES LIMITED

INTRODUCTION

We have reviewed the accompanying interim financial report set out on pages 29 to 50 which comprises the condensed consolidated statements of financial position of AsiaInfo Technologies Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) as of 30 June 2020 and the related condensed consolidated statements of profit or loss and other comprehensive income and condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows for the six month period ended 30 June 2020 and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim financial reporting (“**HKAS 34**”), issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with HKAS 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial report as at 30 June 2020 is not prepared, in all material respects, in accordance with HKAS 34.

KPMG

Certified Public Accountants

8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

17 August 2020

CONDENSED CONSOLIDATED STATEMENT 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 RMB'000	2019 RMB'000
Revenue	4	2,504,146	2,479,331
Cost of sales		(1,610,482)	(1,610,848)
Gross profit		893,664	868,483
Other income	5	52,986	50,241
Impairment losses under expected credit loss model, net of reversal	13	(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		–	–
Total comprehensive income for the period		232,567	70,732
Profit for the period/total comprehensive income for the period attributable to:			
Equity holders of the Company		232,567	70,732
Earnings per share			
– Basic (RMB)	9	0.32	0.10
– Diluted (RMB)	9	0.32	0.10

The accompanying notes on pages 34 to 50 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020 — unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	30 June 2020 RMB'000	31 December 2019 RMB'000
Non-current assets			
Property, plant and equipment	10	283,478	288,261
Right-of-use assets	10	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	11	130,658	135,766
Pledged bank deposits		24,371	28,612
Term deposits		—	170,000
Other non-current assets		14,572	39,641
		2,687,281	2,822,732
Current assets			
Inventories		456	304
Trade and note receivables	12	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	18	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
		4,921,500	4,717,908
Current liabilities			
Trade and note payables	14	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	18	8,349	18,092
Income tax payable		254,689	244,573
Bank borrowings		858,035	594,372
Lease liabilities		45,049	36,213
		3,377,473	3,471,080
Net current assets		1,544,027	1,246,828
Total assets less current liabilities		4,231,308	4,069,560

The accompanying notes on pages 34 to 50 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020 — unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	30 June 2020 RMB'000	31 December 2019 RMB'000
Non-current liabilities			
Deferred tax liabilities	11	132,509	122,983
Lease liabilities		115,811	39,374
		248,320	162,357
NET ASSETS		3,982,988	3,907,203
CAPITAL AND RESERVES			
Share capital	15	—	—
Reserves		3,982,988	3,907,203
TOTAL EQUITY		3,982,988	3,907,203

Approved and authorised for issue by the board of directors on 17 August 2020.

Dr. TIAN Suning
DIRECTOR

Mr. GAO Nianshu
DIRECTOR

The accompanying notes on pages 34 to 50 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT 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 Shares for share award scheme (note 16)	—	(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 (note 15(i))	—	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

Note:

- (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.

The accompanying notes on pages 34 to 50 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT 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 Shares under share option schemes		3,950	144
Purchase of Shares for share award scheme	16	(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

The accompanying notes on pages 34 to 50 form part of this interim financial report.

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

AsialInfo 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**”).

This condensed consolidated financial statements are unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA. KPMG’s independent review report to the Board of Directors of the Company is included on page 28.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020 — unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020 — unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

4 REVENUE AND SEGMENT INFORMATION (Continued)

Disaggregation of revenue

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
<i>Timing of revenue recognition</i>		
At a point in time	108,475	9,810
Over time	2,395,671	2,469,521
	2,504,146	2,479,331
<i>Types of goods and services</i>		
Provision of services ⁽ⁱ⁾	2,395,904	2,471,220
Sales of goods	108,242	8,111
	2,504,146	2,479,331
<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⁾	158,744	54,834
	2,503,769	2,476,899
Network security business	377	2,432
	2,504,146	2,479,331

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020 — unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

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 RMB'000	Network security business RMB'000	Total RMB'000
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>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020 — unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

4 REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

Six months ended 30 June 2019

	Software business RMB'000	Network security business RMB'000	Total RMB'000
Revenue	2,476,899	2,432	2,479,331
Cost of sales	(1,608,464)	(2,384)	(1,610,848)
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	(29,990)	—	(29,990)
Profit before tax	123,480	38	123,518

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020 — unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

5 OTHER INCOME

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
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
	52,986	50,241

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 RMB'000	2019 RMB'000
Current tax:		
PRC enterprise income tax ("EIT")	42,923	20,612
Deferred tax (note 11)	14,634	32,174
	57,557	52,786

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%).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020 — unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

6 INCOME TAX EXPENSES (Continued)

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 AsialInfo Technologies (China), Inc. ("**AsialInfo China**") and AsialInfo Technologies (Nanjing), Inc. ("**AsialInfo 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 AsialInfo China and AsialInfo 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 AsialInfo 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 AsialInfo 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 AsialInfo 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020 — unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

7 PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
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
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

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 RMB'000	2019 RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of HK\$25.2 cents per share	<u>168,936</u>	N/A

For the six months ended 30 June 2020, the dividends of HK\$169,587,000 (equivalent to RMB154,907,000) were paid to the equity holders of the Company (2019: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020 — unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

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

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 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 Shares with regard to the exercise and vesting of share options and RSUs and purchase of 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020 — unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

10 MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS

During the current interim period, the Group spent RMB12,158,000 on leasehold improvements and furniture, fixtures and equipment and disposed of certain assets of leasehold improvements and furniture, fixtures and equipment with an aggregate carrying amount of RMB28,000 for cash proceeds of RMB271,000, resulting in a gain on disposal of RMB243,000. During the six months ended 30 June 2019, the Group purchased assets for leasehold improvement, vehicle and furniture, fixtures and equipment amounting to RMB7,823,000 and disposed of certain assets of leasehold improvements and furniture, fixtures and equipment with an aggregate carrying amount of RMB73,000 for cash proceeds of RMB211,000, resulting in a gain on disposal of RMB138,000.

During the current interim period, the Group entered into several new lease agreements for the use of buildings ranging from one year to ten years. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised RMB118,779,000 of right-of-use asset and RMB111,880,000 of lease liability.

11 DEFERRED TAX ASSETS AND LIABILITIES

The followings are the major deferred tax liabilities and assets recognised and movements thereon during the current and preceding interim periods:

	Impairment losses RMB'000	Accrued payroll and welfare RMB'000	Accrued expenses RMB'000	ROU assets and lease liabilities RMB'000	Undistributed profits of the PRC subsidiaries RMB'000	Intangible assets RMB'000	Total RMB'000
As at 31 December 2019	5,326	118,940	11,550	(50)	(122,464)	(519)	12,783
Credited (charged) to profit or loss	159	(7,842)	2,525	(708)	(9,287)	519	(14,634)
At 30 June 2020	5,485	111,098	14,075	(758)	(131,751)	—	(1,851)
As at 31 December 2018	6,643	150,555	6,094	—	(125,509)	(2,032)	35,751
Effect arising from initial application of HKFRS 16	—	—	—	(12)	—	—	(12)
Credited (charged) to profit or loss	(220)	(28,342)	(1,490)	69	(2,947)	756	(32,174)
At 30 June 2019	6,423	122,213	4,604	57	(128,456)	(1,276)	3,565

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11 DEFERRED TAX ASSETS AND LIABILITIES (Continued)

For the purposes of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Deferred tax liabilities	(132,509)	(122,983)
Deferred tax assets	130,658	135,766
	(1,851)	12,783

As at the end of the current interim period, the Group has unused tax losses of RMB2,334,605,000 (31 December 2019: RMB2,049,238,000) available for offset against future profits. No deferred tax asset has been recognised of such tax losses as at 30 June 2020 and 31 December 2019 due to the unpredictability of future profit streams.

Deferred tax assets are recognised if it is probable that all of the deferred tax assets will be realised through the recovery of taxes previously paid and/or future taxable income. The directors of the Company have reviewed the deferred tax assets of the Group at the end of the reporting period and considered that it is probable that the deferred tax assets of the Group will be realised through future taxable income based on directors' assessment of the probability that taxable profits will be available over the years which the deferred tax assets can be realised or utilised.

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12 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.

13 IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS (“ECL”) MODEL

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Impairment loss recognised	5,827	26,594
	5,827	26,594

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months periods ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

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14 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

15 SHARE CAPITAL

The Company

Details of the movement of share capital of the Company are as follows:

	Number of Shares	Nominal value per share	Share capital
Authorised			
At 30 June 2020 and 2019	800,000,000,000	HK\$0.0000000125	HK\$10,000
Issued			
At 31 December 2018	713,776,184	HK\$0.0000000125	HK\$8.92
Issue of new Shares upon exercise of the over-allotment option ⁽ⁱ⁾	2,974,800	HK\$0.0000000125	HK\$0.03
Exercise of option	216,696	HK\$0.0000000125	HK\$0.01
Vesting of restricted stock units ⁽ⁱⁱ⁾	7,411,316	HK\$0.0000000125	HK\$0.09
At 30 June 2019	724,378,996	HK\$0.0000000125	HK\$9.05
At 31 December 2019	726,044,916	HK\$0.0000000125	HK\$9.08
Exercise of option	608,080	HK\$0.0000000125	HK\$0.01
Vesting of restricted stock units ⁽ⁱⁱ⁾	2,515,776	HK\$0.0000000125	HK\$0.02
At 30 June 2020	<u>729,168,772</u>	<u>HK\$0.0000000125</u>	<u>HK\$9.11</u>

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15 SHARE CAPITAL (Continued)

The Company (Continued)

	30 June 2020 RMB'000	31 December 2019 RMB'000
Presented as	—	—

Notes:

- (i) On 15 January 2019, the Company issued and allotted 2,974,800 Shares, representing approximately 3.47% of the total number of Shares initially offered as at 19 December 2018 at HK\$10.50 per share pursuant to the over-allotment option granted to the Company's underwriters in the Company's global offering.
- (ii) On 18 January 2019 and 18 January 2020, the Company issued and allotted 6,492,612, and 2,515,776 Shares, respectively, resulting from the vesting of restricted share awards to certain employees and a director pursuant to the Pre-IPO restricted share award scheme ("**Pre-IPO RSA Scheme**") approved and adopted on 26 June 2018, respectively. On 3 June 2019, the Company vested the last 25% of the RSUs under 2014 plan with a total of 918,704 Shares.

16 PURCHASE OF SHARES

During the interim period, the Company purchased its Shares on The Stock Exchange as follows:

Month/year	Number of Shares purchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid HK\$'000
May 2020	860,000	9.9454	9.7101	8,470
June 2020	2,613,600	10.4431	9.5400	26,590
				35,060

The Company purchased Shares through China International Capital Corporation ("**CICC**") in 2020. By 30 June 2020, the Company paid deposit amounted to HK\$50,000,000 (equivalent to RMB45,586,000) to CICC and has purchased 3,473,600 Shares at a total consideration of HK\$35,060,000 (equivalent to RMB32,079,000).

17 COMMITMENTS

As at the end of the current interim period, the Group was committed to acquire some property, plant and equipment and intangible assets for its business operation amounting to approximately RMB2,955,000 (31 December 2019: RMB3,440,000).

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18 AMOUNTS DUE FROM (TO) RELATED PARTIES

(a) Amounts due from fellow subsidiaries

Amounts due from fellow subsidiaries as at 30 June 2020 and 31 December 2019 are trade in nature. The Group generally grants a credit period of 30 days to its fellow subsidiaries.

The Group generally grants a credit period of 30 days to its fellow subsidiaries. Aging of amounts due from fellow subsidiaries, based on the dates when the Group has the rights to bill, is set forth as follows:

Accounts receivable, contract assets and other receivables from fellow subsidiaries

	30 June 2020 RMB'000	31 December 2019 RMB'000
1-90 days	6,871	2,973
91-180 days	912	434
181-365 days	737	1,441
Over 365 days	1,112	601
	9,632	5,449

Prepayments to fellow subsidiaries

	30 June 2020 RMB'000	31 December 2019 RMB'000
AsialInfo Technologies (Chengdu) Limited	541	909

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18 AMOUNTS DUE FROM (TO) RELATED PARTIES (Continued)

(b) Amounts due to fellow subsidiaries

Amounts due to fellow subsidiaries as at 30 June 2020 and 31 December 2019 are trade in nature. The average credit period granted by the fellow subsidiaries is 90 days.

The average credit period granted by the fellow subsidiaries is 90 days. Aging of amounts due to fellow subsidiaries is as follows:

	30 June 2020 RMB'000	31 December 2019 RMB'000
1-90 days	1,085	4,099
91-180 days	—	39
181-365 days	4,005	1,153
Over 365 days	3,259	12,801
	8,349	18,092

(c) Compensation of key management personnel

The remuneration of key management personnel which represents the directors of the Company and key executives of the Group during both periods are as follows:

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Salaries and other benefits	4,225	4,120
Discretionary bonus	4,467	4,530
Contributions to retirement benefits scheme	55	143
Share-based compensation expenses	6,021	30,755
Total emoluments	14,768	39,548

The remuneration of the directors of the Company and key executives of the Group is determined having regard to the performance of individuals and market trends.

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19 IMPACTS OF COVID-19 PANDEMIC

The outbreak of the 2019 Novel Coronavirus (“**COVID-19**”) in China and the subsequent quarantine measures imposed by the Chinese government in early 2020 have had a certain temporary impact on the operations of the Group since January 2020. Since the government published local prevention and control policies on time, the impact of the epidemic was under control by 30 June 2020.

During the first quarter of 2020, the isolation policy of local government had limited influence on the business of the Company. Since the substantial transaction of the Company was located in the Mainland China, the Group’s business has been recovering from the second quarter till now. The directors of the Company will continue to pay close attention to the development of the COVID-19 epidemic situation, assess and take proactive actions to mitigate its impact on the operating results and financial position of the Group.