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## **AsiaInfo Technologies Limited**

## **亞信科技控股有限公司**

*(Incorporated in the British Virgin Islands with limited liability)*

**(Stock Code: 1675)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The Board of AsiaInfo Technologies is pleased to announce the unaudited consolidated interim results of the Group for the Reporting Period.

#### **HIGHLIGHTS**

- operating revenue amounted to approximately RMB2,715 million, up by 8.4% and orders in hand increased by over 25% year-on-year;
- revenue from “Three New” businesses<sup>1</sup> amounted to approximately RMB553 million, up by 140.9%, and orders in hand increased by over 150% year-on-year, and the revenue of the “Three New” businesses accounted for 20.4% of the total revenue;
- gross profit amounted to approximately RMB997 million, up by 11.6%, and gross profit margin was 36.7%, representing a year-on-year increase of 1.0 percentage point, where our profitability maintained sound growth;
- net profit amounted to approximately RMB280 million, up by 20.2%, and net profit margin was approximately 10.3%, representing a year-on-year increase of 1.0 percentage point; and
- the Company has been included as a constituent stock of the MSCI China All Shares Small Cap Index.

*Note 1: “Three New” businesses represent Data-driven Operation (“DSaaS”), vertical industries and enterprise cloudification, the Operation Support Systems (“OSS”) businesses.*

## CHAIRMAN'S STATEMENT

Dear Shareholders,

In the first half of 2021, the economic society continued to recover and develop at a steady pace. A new round of technological revolution and industrial transformation characterised by digitisation, cyberisation and intelligentisation was further advanced. The digital economy has become an important engine leading the growth. As a key supporting factor of the digital economy, 5G has entered its fast development track, bringing important opportunities for the digital transformation of thousands of industries.

During the Reporting Period, AsiaInfo Technologies seized the opportunities arising from digital transformation of the economic society, and further promoted its strategic transformation, built “One consolidation” with high quality, promoted “Three developments” at a high speed, and achieved sound growth in overall performance. For “Three New” businesses, we accelerated scalable expansion, in which DSaaS business attaches equal importance to its scale and model innovation; vertical industries and enterprise cloudification business focuses on the industry and continued with its high-quality development; and the OSS business has experienced growth in its stock, increment, and improved market shares. The revenue of “Three New” businesses increased significantly by 140.9%, that accounted for over 20% of the total revenue for the first time, and orders in hand for the “Three New” businesses increased by over 150% year-on-year, indicating an accelerated development momentum. For our traditional businesses, we continued to maintain our leading position in operators market. Despite facing an impact on our schedule caused by delayed orders by customers, the Group explored business potentials vigorously and continued to improve efficiency, so that the BSS business scale remained basically stable. Furthermore, the Company has been included as a constituent stock of the MSCI China All Shares Small Cap Index, further achieving recognition in its investment value.

On behalf of the Board, I hereby present the interim results of the Group for the six months ended 30 June 2021 to the Shareholders.

## OVERALL RESULTS

In the first half of 2021, driven by the continuous rapid growth of the “Three New” businesses, the overall operating results of the Company still maintained a sound growth momentum. The operating revenue of the Company amounted to approximately RMB2,715 million, up by 8.4% year-on-year, and orders in hand increased by over 25% year-on-year. Among them, the revenue from the “Three New” businesses amounted to approximately RMB553 million, up by 140.9% year-on-year. The revenue of “Three New” businesses accounted for a significant increase in the total revenue, exceeding 20% for the first time. Net profit was approximately RMB280 million, representing a year-on-year increase of 20.2%, and the net profit margin was 10.3%, representing a year-on-year increase of 1.0 percentage point.

The Board, after taking into full consideration of various factors including profitability, cash flow level and capital needs for future development of the Group, has decided not to propose the declaration of the interim dividend for the Reporting Period and proposed to maintain a dividend payout ratio guidance of no less than 40% for the year of 2021.

## BUSINESS DEVELOPMENT

### **Strong growth in DSaaS business, accounted for double-digits in percentage of revenue for the first time**

In the first half of 2021, the Company seized the development opportunities of digital industrialisation brought about by 5G and the COVID-19 epidemic, increased its efforts to expand its DSaaS business, explored the value of data information, and promoted various models such as results-based charging, sharing settlement and subscription, so as to provide assistance for customers in key industries such as operators, finance, government affairs, radio and television with precision marketing, intelligence-based operation, and improvements in quality and efficiency to achieve strong business growth. Data information security is the cornerstone and safeguard of DSaaS business development. We have always strictly followed the relevant national laws and regulations, and insisted on desensitisation during the use of data to ensure the legality and safety of data information.

Building on our collaborations in previous year, we commenced in-depth strategic cooperation with Tencent to jointly explore the government and business customer-oriented Wechat market and develop the Wechat ecology-based private traffic, with current coverage of over 1 million business managers in industries such as communications, radio and television, and finance for DSaaS tools and products based on the WeChat ecosystem, and provided access to over 200 million WeChat users, with the conversion rate of the customers’ orders far exceeding those in traditional channels. In addition, we vigorously promoted the results-based charging model. The results-based charging model in an important customer group has been promoted to companies in different provinces, with settlement revenue of nearly RMB10 million in the first half of 2021.

In the first half of 2021, the revenue from the DSaaS business was approximately RMB309 million, up by 192.0% year-on-year. The revenue of DSaaS business accounted for 11.4% of the total revenue, recording a new high in both growth rate and percentage to its revenue, becoming the strongest driver of the “Three New” businesses.

**Focusing on the layout of vertical industries and enterprise cloudification with continuously deepened cooperation with cloud service providers**

In the first half of 2021, the Company continued its layout in five strategic vertical industries including the finance, energy, transportation, government affairs and postal services sectors as well as enterprise cloudification market, deepened our product and capability cultivation and cooperated with strategic partners to expand customers bases, and further expanded our large corporate customers network. In the energy sector, we actively responded to the national 5G Application Implementation Plan in Energy Sector (《能源領域5G應用實施方案》), promoted the implementation of a number of typical 5G application scenarios in nuclear power, wind power, thermal power and other industries, and built industry private networks to accelerate the digital transformation of the energy industry. In the smart city sector, we focused on the close integration of data value and long-term effective operations, built an integrated capability system for construction and operation of smart city, and reached a strategic cooperation with Guangxi Beitou Xinchuang Group (廣西北投信創集團) to facilitate the construction and maintenance of “Digital Guangxi”. In the cloud business sector, we continued to deepen the cooperation with mainstream cloud vendors (such as Alibaba, Tencent, Huawei, Baidu and others). During the Reporting Period, a number of projects including the State Council Information Office of the PRC, Industrial Securities, State Grid and government agencies were newly expanded due to our deepened cooperation with Alibaba Cloud; we jointly developed smart transportation with Huawei, where both parties deepened cooperations in special topics, data model in comprehensive transportation sector, and we received Huawei “CSSP-IaaS Capability Certification”. We signed a strategic cooperation agreement with Tencent Cloud and became its core partner and will integrate the superior products and technical capabilities of both parties to empower each other to facilitate customers to adopt and apply cloud technology in a faster and better manner.

During the Reporting Period, the revenue from vertical industries and enterprise cloudification business of the Company amounted to approximately RMB113 million, up by 65.7% year-on-year.

## **Facilitating the “sailing” operation of 5G and maintaining leading position in operators market**

As an essential element of the economic development during the “14th Five-Year Plan” period, the accelerated development of 5G was greatly promoted by the Chinese government, and the communications industry entered into a stage of new development and transformation and upgrading once again. The Company actively responded to national calls and industry needs, and closely leveraged on the development trend of BSS & OSS integration in 5G era to enhance 5G network and application support capabilities.

For the OSS business, we expanded and upgraded 5G network intelligent products, with products and technical influence occupying a leading position in the industry. Meanwhile, we created the operators’ 5G business scheduling, 5G slicing operation, NFV integrated short message gateway and many other 5G O domain benchmarking projects, accelerated the large-scale implementation and application of products such as 5G network slicing, network middle office, and CEM (customer experience management), and fully supported operators’ 5G network construction and operation, customer service and experience optimisation, as well as empowered applications targeting vertical industries. In the first half of 2021, the OSS business of the Company covered more than 90 provincial and specialised companies of the operators, achieving a revenue of approximately RMB131 million, up by 135.8% year-on-year.

For the BSS business, although affected by factors such as delayed tempos due to deferred orders signed by telecom operators, we actively met the needs of customers for business support transformation and innovation, strived to explore business potential, and continued to improve efficiency. While strongly supporting the development of operators’ 5G business, we ensured the stability of our leading position in the market. In the first half of 2021, the revenue from the BSS business of the Company still amounted to RMB2,109 million, representing a very slight decrease of 0.3% year-on-year, maintaining the basic stability of the business scale, and newly signed orders increased by more than 10% year-on-year, further ensuring the future stable development.

## **Increasing R&D investment and leading the forefront of the industry**

Adhering to the philosophy of “R&D first, innovation as priority”, we continued to enhance our R&D innovation capabilities and technology-driven capabilities, created quality products with craftsmanship, and built a high-end product system of AsiaInfo. Leveraging on 5G technology and empowering hundreds of industries, we have built a core product system and a full range of product and solution capabilities of AsiaInfo, striving to become “a leader in 5G network intelligence, a key player in domestic IT innovation industry, an innovator in AI communications and a builder in digital intelligence middle office capacity”. We help communications and vertical industry customers to carry out digital transformation and innovation, and drive the rapid development of the “Three New” businesses. In the first half of 2021, the Company invested RMB443 million in R&D efforts, representing an increase of 25.9% year-on-year.

As a leader in 5G network intelligence, we continue to develop and improve the full stack product system of 5G network intelligence, and undertake 5G network management and operation core systems for three major operators, enabling 5G to B private network products to empower vertical industries. We have set up an innovative closed-loop model from standardisation to commercialisation when enhancing our technological innovation, took part in 19 international and national technical standards organisations such as 3GPP, ITU, ETSI, IEEE, TMF, O-RAN, etc. proactively, and explored with global well-known enterprises and organisations for formulating communication industry standards and regulations, of which 44 proposals have been approved by international and domestic communication standards by way of poll.

As a key player in domestic IT innovation industry, we always hold the original faith of “independent innovation and serving the country with science and technology” in mind to continuously increase technological innovation and R&D investment in the field of products of information technology application innovation industry and promote the domestication progress of the IT software industry. For product capabilities, AntDB, the enterprise-level parallel processing relational database product self-developed by the Company and Flying Server, the middleware products were fully compatible with upstream and downstream domestic software and hardware such as Huawei Kunpeng, Loongson, Kylin and Uniontech, and are widely used in the communications, finance, energy, transportation, postal services and other industries. The independent controllable multi-cloud management OS platform of the Company was adopted by a large government-owned enterprise in the electronics industry in its domestication of cloud platform project.

As an innovator in AI communications, we will continue our technology innovation in the field of AI communications, and lead the development direction of AI communications technology with looking to the prospect and jointly wrote “The Next Decade of Artificial Intelligence Communications”. We have launched a range of AI products, such as AI middle office, edge AI all-in-one machine, AIOps, artificial access, RPA robots process automation platform that we built into the full implementation in vertical industries. We have dominated the establishment of 3GPP 5G international standards for the first autonomous network federal learning and 3GPP SA5 international standards for classification of autonomous driving network, which helped China enhance its international technological influence. We have established the 5G Intelligence Joint Laboratory together with Tsinghua University, striving to build a national AI research centre and promote the joint collaboration in “Industry-University-Research”.

As of 30 June 2021, the Group had a total of 952 software copyrights, 54 patents and 178 patent applications for various key technologies and products. During the Reporting Period, we won several international as well as domestic industry awards and honours. AIOps was included in Hype Cycle for ICT in China, 2021 (《2021年中國ICT技術成熟度曲線報告》) of Gartner and was rated as a recommended supplier for the intelligent operation and maintenance platform. We also won the national championship and outstanding award in the “China RPA+AI Developer Competition”. We were ranked in the Top 20 in the “Global AI Technology Innovation Competition”, and five products, including big data, RPA and blockchain were certified by the CAICT. The DevOps R&D and operation integration product passed the “Trusted Cloud • DevOps” evaluation by CAICT and received the highest level of “Advanced” Certification; the Cloud OS hybrid cloud solution passed the “Trusted Cloud • Hybrid Cloud” evaluation; the self-developed database product AntDB and the middleware product Flying Server were selected by the Information Technology Application Innovation Working Committee as technology mapping. Seven products including intelligent edge computing products for the Internet of Things and edge AI all-in-one machine, were selected in the 2021 China Brand Day Promotion Catalogue of New Domestic Products for the Electronic Information Industry (《2021年中國品牌日電子信息行業國貨新品推廣目錄》) of the China Federation of Electronics and Information Industry.

## **FUTURE OUTLOOK**

During the “14th Five-Year Plan” period, we will seize the development opportunities arising from “digital industrialisation development” and “industrial digital transformation”, and promote the strategic transformation of “One consolidation, Three developments” unswervingly to strive to create strong growth engine of the “Three New” businesses. Meanwhile, we proactively identify investment and merger opportunities with synergy effect to jointly drive the continuous and rapid development of performance with internal development and external growth. We have full confidence about the long-term development of the Group. We will strive to make solid progress towards the goal of “achieving a business scale of over RMB10 billion, half of which comprises of the new businesses (業務規模超百億，新業務近半壁江山)” by 2025, with a view to create greater value for the country, Shareholders and customers!

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

*For the six months ended 30 June 2021 — unaudited*

*(Expressed in thousands of Renminbi, unless otherwise stated)*

		<b>Six months ended 30 June</b>	
		<b>2021</b>	<b>2020</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>	4	<b>2,715,268</b>	2,504,146
<b>Cost of sales</b>		<u><b>(1,718,032)</b></u>	<u>(1,610,482)</u>
Gross profit		<u><b>997,236</b></u>	<u>893,664</u>
Other income	5	<b>88,785</b>	52,986
Impairment losses under expected credit loss model, net of reversal		<b>(14,754)</b>	(5,827)
Other gains and losses		<b>810</b>	1,458
Selling and marketing expenses		<b>(199,905)</b>	(163,242)
Administrative expenses		<b>(112,965)</b>	(118,336)
Research and development expenses		<b>(442,502)</b>	(351,533)
Share of results of associates		—	(976)
Impairment losses on associates		—	(6,680)
Finance costs		<u><b>(5,907)</b></u>	<u>(11,390)</u>
<b>Profit before tax</b>		<b>310,798</b>	290,124
Income tax expenses	6	<u><b>(31,259)</b></u>	<u>(57,557)</u>
<b>Profit for the period</b>	7	<b>279,539</b>	232,567
<b>Other comprehensive income for the period</b>		<u>—</u>	<u>—</u>
<b>Total comprehensive income for the period</b>		<u><b>279,539</b></u>	<u>232,567</u>
<b>Profit for the period/total comprehensive income for the period attributable to:</b>			
Equity holders of the Company		<b>279,772</b>	232,567
Non-controlling interests		<u><b>(233)</b></u>	<u>—</u>
<b>Earnings per share</b>			
— Basic (RMB)	9	<b>0.30</b>	0.32
— Diluted (RMB)	9	<u><b>0.30</b></u>	<u>0.32</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021 — unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

		<b>30 June</b>	31 December
		<b>2021</b>	2020
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Non-current assets</b>			
Property, plant and equipment		285,779	293,224
Right-of-use assets		246,237	257,534
Intangible assets		4,517	3,818
Goodwill		1,932,246	1,932,246
Deferred tax assets		110,533	133,111
Pledged bank deposits		757	8,737
Term deposits		550,000	240,000
Other non-current assets		17,678	17,088
		<u>3,147,747</u>	<u>2,885,758</u>
<b>Current assets</b>			
Inventories		582	392
Trade and notes receivables	10	950,713	941,957
Prepayments, deposits and other receivables		311,171	114,386
Contract assets		1,803,069	1,722,485
Financial assets at FVTPL		875,501	1,103,800
Amounts due from related parties		15,787	10,233
Pledged bank deposits		198,514	263,067
Term deposits		90,000	140,923
Bank balances and cash		1,054,626	1,690,151
		<u>5,299,963</u>	<u>5,987,394</u>
<b>Current liabilities</b>			
Trade and notes payables	11	281,227	149,454
Contract liabilities		287,289	393,371
Other payables, deposits received and accrued expenses		1,768,227	2,063,218
Amounts due to related parties		9,160	9,154
Income tax payable		238,430	278,420
Bank borrowings		—	137,023
Lease liabilities		49,717	46,201
		<u>2,634,050</u>	<u>3,076,841</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**– CONTINUED**

*As at 30 June 2021 — unaudited*

*(Expressed in thousands of Renminbi, unless otherwise stated)*

	<i>Note</i>	<b>30 June 2021 RMB'000</b>	31 December 2020 RMB'000
<b>Net current assets</b>		<u>2,665,913</u>	<u>2,910,553</u>
<b>Total assets less current liabilities</b>		<u>5,813,660</u>	<u>5,796,311</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		123,062	123,205
Lease liabilities		<u>105,917</u>	<u>117,658</u>
		<u>228,979</u>	<u>240,863</u>
<b>NET ASSETS</b>		<u>5,584,681</u>	<u>5,555,448</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		—	—
Reserves		<u>5,584,914</u>	<u>5,555,448</u>
Equity attributable to equity holders of the Company		<u>5,584,914</u>	5,555,448
Non-controlling interests		<u>(233)</u>	—
<b>TOTAL EQUITY</b>		<u>5,584,681</u>	<u>5,555,448</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021 — unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity holders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Translation capital reserve	Statutory surplus reserve	Other reserves	Retained profits	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2021</b>	—	2,115,627	285,200	(15,129)	180,809	1,571,420	1,417,521	5,555,448	—	5,555,448
Profit and total comprehensive income for the period	—	—	—	—	—	—	279,772	279,772	(233)	279,539
Recognition of equity-settled share-based payments	—	—	—	—	—	30,884	—	30,884	—	30,884
Lapse of share options and restricted stock units	—	—	—	—	—	(15,136)	15,136	—	—	—
Vesting of restricted stock units	—	29,599	—	—	—	(29,599)	—	—	—	—
Exercise of share options	—	24,332	—	—	—	(7,630)	—	16,702	—	16,702
Purchase of Shares for share award scheme	—	(36,558)	—	—	—	—	—	(36,558)	—	(36,558)
Dividends declared in respect of the previous year (note 8)	—	—	—	—	—	—	(261,334)	(261,334)	—	(261,334)
<b>At 30 June 2021</b>	<b>—</b>	<b>2,133,000</b>	<b>285,200</b>	<b>(15,129)</b>	<b>180,809</b>	<b>1,549,939</b>	<b>1,451,095</b>	<b>5,584,914</b>	<b>(233)</b>	<b>5,584,681</b>
<b>At 1 January 2020</b>	—	997,954	285,200	(15,129)	176,247	1,545,848	917,083	3,907,203	—	3,907,203
Profit and total comprehensive income for the period	—	—	—	—	—	—	232,567	232,567	—	232,567
Recognition of equity-settled share-based payments	—	—	—	—	—	40,002	—	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	—	4,231
Purchase of Shares for share award scheme	—	(32,079)	—	—	—	—	—	(32,079)	—	(32,079)
Dividends declared in respect of the previous year (note 8)	—	—	—	—	—	—	(168,936)	(168,936)	—	(168,936)
<b>At 30 June 2020</b>	<b>—</b>	<b>993,484</b>	<b>285,200</b>	<b>(15,129)</b>	<b>176,247</b>	<b>1,554,642</b>	<b>988,544</b>	<b>3,982,988</b>	<b>—</b>	<b>3,982,988</b>

Note:

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

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021 — unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2021	2020
Note	RMB'000	RMB'000
<b>Net cash used in operating activities</b>	<b>(175,924)</b>	<b>(181,108)</b>
<b>Investing activities</b>		
Purchases of property, plant and equipment	(13,394)	(12,149)
Purchases of intangible assets	(1,779)	(2,781)
Purchases of financial assets at FVTPL	(1,131,594)	(420,000)
Proceeds on disposal of property, plant and equipment	1,149	271
Proceeds on disposal of financial assets at FVTPL	1,382,024	425,948
Proceeds on disposal of investment in associates	15,000	—
Placement of pledged bank deposits	(360,356)	(509,199)
Withdrawal of pledged bank deposits	432,889	355,152
Placement of term deposits	(450,000)	(149,400)
Withdrawal of term deposits	189,975	170,000
Interest received	12,777	9,251
Others	—	(6,073)
<b>Net cash generated from (used in) investing activities</b>	<b>76,691</b>	<b>(138,980)</b>
<b>Financing activities</b>		
Repayment of bank borrowings	(134,308)	(495,167)
New bank borrowings raised	—	898,057
Capital element of lease rentals paid	(32,592)	(25,980)
Interest element of lease rentals paid	(4,539)	(2,346)
Borrowing interest paid	(912)	(8,234)
Proceeds from issue of Shares under share option schemes	7,128	3,950
Purchase of Shares for share award scheme	(36,558)	(32,079)
Dividend paid	(263,080)	(154,907)
Other cash flows arising from financial activities	(64,566)	(13,507)
<b>Net cash (used in) generated from financing activities</b>	<b>(529,427)</b>	<b>169,787</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(628,660)</b>	<b>(150,301)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>1,690,151</b>	<b>1,810,591</b>
Effect of exchange rate changes	(6,865)	(1,446)
<b>Cash and cash equivalents at 30 June represented by bank balances and cash</b>	<b>1,054,626</b>	<b>1,658,844</b>

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months ended 30 June 2021 — unaudited*

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### **1 GENERAL INFORMATION**

The Company is incorporated in the British Virgin Islands as a company with limited liability and its Shares are listed on the Main Board of 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 2021 have been prepared in accordance with HKAS 34 Interim financial reporting issued by the HKICPA as well as with the applicable disclosure provisions to the Listing Rules. It was authorised for issue on 9 August 2021.

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 Group since the 2020 annual financial statements. They do not include all of the information required for a complete set of financial statements prepared in accordance with HKFRSs.

### **3 PRINCIPAL ACCOUNTING POLICIES**

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

### 3 PRINCIPAL ACCOUNTING POLICIES – CONTINUED

#### 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:

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*

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.

### 4 REVENUE

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.

#### Disaggregation of revenue

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
<i>Timing of revenue recognition</i>		
At a point in time	24,976	108,475
Over time	<u>2,690,292</u>	<u>2,395,671</u>
	<u>2,715,268</u>	<u>2,504,146</u>
<i>Types of goods and services</i>		
Provision of services	2,690,860	2,395,904
Software and data-driven operation services	2,643,372	2,345,024
Others <sup>(i)</sup>	47,488	50,880
Sales of goods	<u>24,408</u>	<u>108,242</u>
	<u>2,715,268</u>	<u>2,504,146</u>

#### Notes:

- (i) Others represent revenue primarily generated from the provision of system integration services, business consulting services and corporate training services.

#### 4 REVENUE – CONTINUED

##### Segment information

The Group makes resources allocation decisions based on internal management functions and assesses the Group's business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

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.

#### 5 OTHER INCOME

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Government grants <sup>(i)</sup>	28,218	20,130
Net gains on disposal of financial assets <sup>(ii)</sup>	17,695	5,948
Gain from additional input VAT credit	10,418	5,351
Interest income from term deposit	10,276	5,799
Changes in fair value of financial assets at FVTPL	7,346	—
Bank interest income	6,471	7,475
Income from management support services <sup>(iii)</sup>	4,174	4,259
Others	4,187	4,024
	<u>88,785</u>	<u>52,986</u>

##### Notes:

- i) During the Reporting Period, government grants amounted to RMB24,790,000 (2020: RMB18,620,000) are related to the support of high-tech industrial development. Government grants amounted to RMB3,428,000 (2020: RMB1,510,000) are related to environment protection and human resources related subsidies. 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) The financial assets represent the financial products bought from bank, with no principal or return guaranteed.
- iii) Income from management support services represents income generated primarily from the provision of administration management services and human resources services to the Group's related parties.

## 6 INCOME TAX EXPENSES

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax:		
PRC enterprise income tax (“EIT”) — Current year	12,557	42,923
Deferred tax	22,435	14,634
	<u>34,992</u>	<u>57,557</u>
Over provision in prior year:		
PRC EIT	<u>(3,733)</u>	—
	<u>31,259</u>	<u>57,557</u>

Under the Law of the PRC on enterprise income tax (the “EIT Law”) and implementation regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the six months ended 30 June 2021 (2020: 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 2021 (2020: 175%).

On 9 August 2012, the Ministry of Industry and Information Technology of the PRC, the Ministry of Finance of the PRC and the State Taxation Administration promulgated and implemented Trial Measures for the Administration over the Certification of Key Software Enterprises and Integrated Circuit Design Enterprises under the State Planning (“Cai Shui 2012 NO. 2413”), pursuant to which key software enterprises under the State Planning layout could go through tax reduction procedures with the relevant tax authorities to enjoy preferential tax policies.

During the six months ended 30 June 2021 and 2020, two of the Company’s subsidiaries, including AsiaInfo Technologies (China), Inc. (“AsiaInfo China”) and AsiaInfo Technologies (Nanjing), Inc. (“AsiaInfo Nanjing”), were identified as the key software enterprises with tax privileges and entitled to a preferential EIT rate of 10%, pursuant to the designation as a key software enterprise under the State Planning. Such tax preference was applied and entitled by performing the record filling to the tax authorities on a yearly basis. The Directors consider that AsiaInfo China and AsiaInfo Nanjing will re-apply for such tax preference provided that its business operations will continue to be qualified as key software enterprises.

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

## 6 INCOME TAX EXPENSES – CONTINUED

Hangzhou AsiaInfo Cloud Information Technology Co., Ltd (“**Hangzhou Cloud**”) was designated as “High and New Technology Enterprise” in 2019 for a period up to 31 December 2021. As a result, Hangzhou Cloud is entitled to a preferential income tax rate of 15% in 2021 (2020: 15%). Beijing AsiaInfo Smart Big Data Co., Ltd. and Guangzhou AsiaInfo Technology Co., Ltd. were designated as “High and New Technology Enterprise” in 2020, and they are entitled to a preferential income tax rate of 15% from 2020 to 2022.

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

## 7 PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs, including directors' remuneration		
Directors' remuneration	7,481	6,218
Employee benefit expenses		
Other staff costs (salaries, wages, allowance, bonus and others)	1,527,565	1,478,454
Contribution to retirement benefits scheme	153,535	51,563
Share-based compensation expenses	26,869	37,241
	<u>1,715,450</u>	<u>1,573,476</u>
Total staff costs		
	<u>1,715,450</u>	<u>1,573,476</u>
Cost of inventories recognised as expenses (included in cost of sales)	22,958	104,539
Depreciation of property, plant and equipment	17,367	16,913
Depreciation of right-of-use assets	34,275	32,043
Amortisation of intangible assets	1,080	6,282
Expense of short-term and low value lease	24,499	31,177
	<u>24,499</u>	<u>31,177</u>

## 8 DIVIDENDS

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Final dividend in respect of the previous financial year, approved during the Reporting Period, of HK\$34.5 cents per Share (2020: HK\$25.2 cents per Share)	<b>261,334</b>	168,936

For the six months ended 30 June 2021, the Company declared the dividends of HK\$317,611,000 (equivalent to RMB261,334,000) to the equity holders of the Company (2020: HK\$183,744,000 (equivalent to RMB168,936,000)).

For the six months ended 30 June 2021, the dividends of HK\$316,171,000 (equivalent to RMB263,080,000) were paid by cash (2020: HK\$169,587,000 (equivalent to RMB154,907,000)).

## 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:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Earnings:</b>		
Earnings for the purpose of calculating basic and diluted earnings per Share	<b>279,772</b>	232,567
<b>Number of Shares:</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per Share	<b>919,097,453</b>	728,446,412
Effect of dilutive potential ordinary shares: share options and RSUs	<b>7,614,013</b>	6,024,930
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per Share	<b>926,711,466</b>	734,471,342

The calculation of basic earnings per Share for the six months periods ended 30 June 2021 and 2020 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 2021 and 2020 has taken into account the issuance of Shares with regard to the exercise and vesting of share options and RSUs, and purchasing of Shares in 2021 and 2020.

## 9 EARNINGS PER SHARE – CONTINUED

The computation of diluted earnings per Share for the six months ended 30 June 2021 did not assume the exercise of the share options under the 2014 stock incentive plan, part of the share options under Pre-IPO Share Option Scheme and the share options under the share option scheme adopted on 25 November 2019 since the exercise prices of those share options were higher than the average market price of the Shares.

The computation of diluted earnings per Share for the six months ended 30 June 2020 did not assume the exercise of the share options under the 2014 stock incentive plan and part of the share options under Pre-IPO Share Option Scheme since the exercise prices of those share options were higher than the average market price of the Shares.

## 10 TRADE AND NOTES RECEIVABLES

	<b>30 June 2021 RMB'000</b>	31 December 2020 RMB'000
Notes receivables	<b>68,373</b>	76,562
Trade receivables	<b>943,468</b>	913,583
Amounts due from third parties	<b>391,961</b>	320,740
Amounts due from related parties	<b>551,507</b>	592,843
Less: allowance for credit losses	<b>(61,128)</b>	(48,188)
	<b><u>950,713</u></b>	<u>941,957</u>

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

## 10 TRADE AND NOTES RECEIVABLES – CONTINUED

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

	<b>30 June 2021 RMB'000</b>	31 December 2020 RMB'000
1–30 days	<b>552,647</b>	689,984
31–90 days	<b>159,543</b>	82,109
91–180 days	<b>129,541</b>	111,407
181–365 days	<b>97,040</b>	45,677
Over 365 days	<b>11,942</b>	12,780
	<b>950,713</b>	941,957

As at 30 June 2021, total notes receivables amounting to RMB68,373,000 (31 December 2020: RMB76,562,000) 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 notes receivables of the Group are with a maturity period of less than one year.

## 11 TRADE AND NOTES PAYABLES

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

	<b>30 June 2021 RMB'000</b>	31 December 2020 RMB'000
1–90 days	<b>212,135</b>	79,538
91–180 days	<b>15,129</b>	13,922
181–365 days	<b>14,042</b>	12,171
366–730 days	<b>15,426</b>	15,338
Over 730 days	<b>24,495</b>	28,485
	<b>281,227</b>	149,454

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overall Operating Results

In the first half of 2021, the Company seized the opportunities arising from digital transformation of the economic society, and further promoted its strategic transformation, built “One consolidation” business with high quality, and promoted the “Three developments” business at a high speed. The overall performance achieved sound growth.

In the first half of 2021, our operating revenue amounted to approximately RMB2,715 million (the corresponding period in 2020: approximately RMB2,504 million), representing a year-on-year increase of 8.4%. Among which, revenue from the “Three New” businesses amounted to approximately RMB553 million (the corresponding period in 2020: approximately RMB230 million), representing a year-on-year increase of 140.9%, and accounting for approximately 20.4% of the revenue for the first time (the corresponding period in 2020: approximately 9.2%), which became an important driver for the Group’s business expansion.

In the first half of 2021, our gross profit amounted to approximately RMB997 million (the corresponding period in 2020: approximately RMB894 million), representing a year-on-year increase of 11.6%, and our gross margin amounted to approximately 36.7% (the corresponding period in 2020: approximately 35.7%), representing a year-on-year increase of 1.0 percentage point. Net profit amounted to approximately RMB280 million (the corresponding period in 2020: approximately RMB233 million), representing a significant year-on-year increase of 20.2%, and our net profit margin amounted to approximately 10.3% (the corresponding period in 2020: approximately 9.3%), representing a year-on-year increase of 1.0 percentage point. Our profitability maintained sound growth.

In the first half of 2021, the net cash used in operating activities amounted to approximately RMB176 million (the corresponding period in 2020: approximately RMB181 million), representing a decrease of net cash used in operating activities by 2.9% year-on-year. The cash flow continued to maintain a sound and stable momentum.

### Operating Revenue

In the first half of 2021, the Company further deepened its strategic transformation and continued to uphold the business development strategy of “One consolidation, Three developments”. Our operating revenue amounted to approximately RMB2,715 million (the corresponding period in 2020: approximately RMB2,504 million), representing a year-on-year increase of 8.4%. Among which, revenue from the “Three New” businesses was approximately RMB553 million (the corresponding period in 2020: approximately RMB230 million), representing an increase of 140.9% year-on-year, accounting for approximately 20.4% of the revenue for the first time (the corresponding period in 2020: approximately 9.2%), which became an important driver for the Group’s business expansion.

The following table sets forth the breakdown of our operating revenue by business category, both in absolute amounts and as percentages of our total revenue, for the periods indicated:

	<b>For the six months period ended 30 June</b>			
	<b>2021</b>		<b>2020</b>	
	<b><i>RMB'000</i></b>	<b>%</b>	<b><i>RMB'000</i></b>	<b>%</b>
Operating revenue				
Software business:				
Traditional businesses	<b>2,161,918</b>	<b>79.6</b>	2,274,092	90.8
BSS	<b>2,109,399</b>	<b>77.7</b>	2,115,348	84.5
“Three New” businesses	<b>553,350</b>	<b>20.4</b>	229,677	9.2
DSaaS	<b>309,073</b>	<b>11.4</b>	105,830	4.2
Vertical industries and enterprise cloudification	<b>112,910</b>	<b>4.2</b>	68,145	2.8
OSS	<b>131,367</b>	<b>4.8</b>	55,702	2.2
Total software business	<b>2,715,268</b>	<b>100.0</b>	2,503,769	100.0
Network security business	—	—	377	0.0
Total	<b><u>2,715,268</u></b>	<b><u>100.0</u></b>	<b><u>2,504,146</u></b>	<b><u>100.0</u></b>

Traditional businesses include the BSS business and sales of third-party hardware and software, system integration services, business consulting services and corporate training services. Revenue from traditional businesses amounted to approximately RMB2,162 million (the corresponding period in 2020: approximately RMB2,274 million), representing a slight decrease of 4.9% year-on-year, which was mainly due to the decline in revenue from sales of third-party hardware. Specifically, revenue from the BSS business amounted to approximately RMB2,109 million (the corresponding period in 2020: approximately RMB2,115 million), representing a slight decrease of 0.3% year-on-year and maintained the overall stability.

The DSaaS business showed strong growth and achieved revenue of approximately RMB309 million (the corresponding period in 2020: approximately RMB106 million), representing a rapid year-on-year increase of 192.0%, and accounted for 11.4% of revenue. Both the growth rate and proportion of revenue recorded new highs. The rapid growth of our DSaaS business was benefited from the fact that we kept abreast of market changes, grasped the opportunities arising from digital development, and achieved scalable development through upgrading and optimising our DSaaS series products and services quickly.

Vertical industries and enterprise cloudification business witnessed fast development and achieved revenue of approximately RMB113 million (the corresponding period in 2020: approximately RMB68 million), representing a year-on-year increase of 65.7%. We constantly focused on sectors such as finance, energy, transportation, government affairs, postal and other industries, and strengthened cooperation with mainstream cloud vendors. We helped all industries to carry out digital transformation and achieved rapid development in the vertical industries and enterprise cloudification business scale while deepening its products and accumulating capabilities.

The OSS business enjoyed swift development and achieved revenue of approximately RMB131 million (the corresponding period in 2020: approximately RMB56 million), representing a rapid year-on-year increase of 135.8%. The rapid growth in the OSS business scale was mainly due to the commercialisation and scale expansion of OSS products achieved by operators in various provinces.

### **Cost of Sales**

In the first half of 2021, the cost of sales was approximately RMB1,718 million (the corresponding period in 2020: approximately RMB1,610 million), representing an increase of 6.7% year-on-year, which was mainly due to the increase in project costs resulting from the expansion of business scale.

### **Gross Profit and Gross Margin**

In the first half of 2021, the gross profit was approximately RMB997 million (the corresponding period in 2020: approximately RMB894 million), representing an increase of 11.6% year-on-year, and our gross margin was approximately 36.7% (the corresponding period in 2020: approximately 35.7%), representing a year-on-year increase of 1.0 percentage point and a continuous and sound profitability. The continued improvement in gross profit reflects both our business expansion and continuous efficiency improvement in project delivery as well as the continuous strategic results in the product R&D of our middle office.

## **Selling and Marketing Expenses**

In the first half of 2021, our selling and marketing expenses amounted to approximately RMB200 million (the corresponding period in 2020: approximately RMB163 million), representing a year-on-year increase of 22.5%, which was mainly attributable to the increase in sales activities resulting from the expansion into new business markets.

## **Administrative Expenses**

In the first half of 2021, our administrative expenses amounted to approximately RMB113 million (the corresponding period in 2020: approximately RMB118 million), representing a year-on-year decrease of 4.5%, which was mainly attributable to our continuous improvement in the administrative management and cost control.

## **Research and Development Expenses**

R&D expenditures are recognised as R&D expenses in the current period according to the Group's accounting policies. In the first half of 2021, the Company continued to improve its R&D efforts and focused on supporting the development of "Three New" businesses and developing innovative products, middle office technological systems and strengthening the product layout in the IT innovation industry. Our R&D expenses amounted to approximately RMB443 million (the corresponding period in 2020: approximately RMB352 million), representing a year-on-year increase of 25.9%.

## **Income Tax Expenses**

In the first half of 2021, the income tax expenses amounted to approximately RMB31 million (the corresponding period in 2020: approximately RMB58 million), which was mainly attributable to the impact from the decrease in taxable income over the corresponding period.

## **Net Profit**

In the first half of 2021, we achieved net profit of approximately RMB280 million (the corresponding period in 2020: approximately RMB233 million), representing a year-on-year increase of 20.2%. Net profit margin was approximately 10.3% (the corresponding period in 2020: approximately 9.3%), representing an increase of 1.0 percentage point over the same period of last year. The continued improvement in net profit was resulted from a combined effect of business scale expansion, internal procedure optimisation and management improvement.

## **Interim Dividend**

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021 (the corresponding period in 2020: nil).

## **Financial Position**

The financial position of the Group remained sound and healthy. As of 30 June 2021, our total assets amounted to approximately RMB8,448 million (31 December 2020: approximately RMB8,873 million). Our total liabilities amounted to approximately RMB2,863 million (31 December 2020: approximately RMB3,318 million). The net assets were approximately RMB5,585 million (31 December 2020: approximately RMB 5,555 million).

## **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 2021, our total goodwill amounted to approximately RMB1,932 million (31 December 2020: approximately RMB1,932 million). The Company appoints a professional independent valuer to conduct impairment assessment on the goodwill at the year-end annually. During the Reporting Period, we did not identify any indication of impairment for goodwill and did not record any impairment loss for goodwill.

## **Assets Pledged**

As at 30 June 2021, deposits amounting to approximately RMB199 million (31 December 2020: approximately RMB272 million) had been pledged to secure letters of guarantee and notes payables. Such decrease over the same period of last year was mainly due to the release of the corresponding deposit margin in line with the repayment of bank borrowings.

## **Borrowings**

As at 30 June 2021, we had no bank borrowings (31 December 2020: approximately RMB137 million), which was mainly due to repayment of bank borrowings.

## **Contingent Liabilities**

As at 30 June 2021, the Group had no significant contingent liabilities (31 December 2020: nil).

## **Cash Flow**

In the first half of 2021, our net cash used in operating activities was approximately RMB176 million (the corresponding period in 2020: net cash used was approximately RMB181 million), representing a year-on-year decrease of 2.9%, which was mainly normal changes that occurred as a result of daily operation changes.

In the first half of 2021, our net cash generated from investing activities was approximately RMB77 million, which was mainly attributable to the release of the corresponding deposit margin in line with the repayment of bank borrowings. During the corresponding period in 2020, our net cash used in investing activities was approximately RMB139 million, which was mainly attributable to the placement of term deposits.

In the first half of 2021, our net cash used in financing activities was approximately RMB529 million, which was mainly attributable to dividend payments to Shareholders and the repayment of bank borrowings. During the corresponding period in 2020, our net cash generated from financing activities was approximately RMB170 million, which was mainly attributable to the new bank borrowings.

## **Funding and Working Capital Management**

Funding and liquidity are managed by the treasury department of the Group. The treasury department is responsible for the overall management and implementation of the Group's internal funding, including developing funding management policy of the Group, preparing the annual funding plan, supervising and evaluating the execution and implementation of funding plan and taking charge of the daily funding management of the members of the Group. We also adopt an intensive funding management policy and issue the administration measures on various aspects for funding management such as account management, capital budget, fund payment as well as credit and facility grants so as to ensure fund safety and improve the performance and efficiency in funding management.

## **Foreign Exchange Risk**

Foreign exchange risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect its financial position and operating results. The foreign exchange risk facing the Group mainly comes from movements in the HKD/RMB and USD/RMB exchange rates.

As of 30 June 2021, the Group did not have foreign currency hedging activity. However, the management of the Group monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

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

During the Reporting Period, the Group had no significant investments held or significant acquisitions and disposals of subsidiaries. As at 30 June 2021, the Group had no clearly defined plans relating capital asset acquisitions or significant investments, or no future plans of disposals of subsidiaries.

## USE OF NET PROCEEDS FROM LISTING AND SUBSCRIPTION

### Listing

The Shares were listed on the Stock Exchange on 19 December 2018. The net proceeds raised from the 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 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.

The following table sets forth the details of proceeds utilised by the Group as of 30 June 2021:

	<b>Proceeds from initial public offering HK\$'000</b>	<b>Proceeds utilised up to 30 June 2021 HK\$'000</b>	<b>Unutilised funds as at 30 June 2021 HK\$'000</b>	<b>Expected timeline for unutilised funds (Note)</b>
Enhance R&D capabilities and expand DSaaS, Internet of Things and 5G network intelligence businesses (35%)	315,547	315,547	—	
Repayment of bank loans (30%)	270,469	270,469	—	
Strategic investments and acquisitions (25%)	225,391	—	225,391	31 December 2022
Working capital and other general corporate purposes (10%)	90,156	90,156	—	
<b>Total</b>	<b>901,563</b>	<b>676,172</b>	<b>225,391</b>	

*Note:* 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.

## SUBSCRIPTION

On 14 April 2020, the Company and China Mobile International Holdings Limited entered into a subscription agreement, which was completed on 2 September 2020, raising gross proceeds and net proceeds of approximately HK\$1,385 million and approximately HK\$1,384 million, respectively. The net proceeds were intended to be used in accordance with the intended purposes disclosed in the circular of the Company dated 28 May 2020.

The following table sets forth the details of proceeds from the Subscription utilised by the Group as of 30 June 2021:

	<b>Proceeds from the Subscription</b>	<b>Proceeds utilised up to 30 June 2021</b>	<b>Unutilised funds as at 30 June 2021</b>	<b>Expected timeline for unutilised funds</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>(Note)</i>
R&D on new products and new technologies and the development of the DSaaS, vertical industry and enterprise cloudification, OSS (40%)	553,640	197,546	356,094	31 December 2022
Investment or acquisition of assets and businesses that are complementary to the Group's business and consistent with the Group's development strategy (35%)	484,435	—	484,435	31 December 2022
General working capital (inclusive of administrative purposes, sales and marketing purposes) (25%)	346,025	124,275	221,750	31 December 2022
	<u>1,384,100</u>	<u>321,821</u>	<u>1,062,279</u>	

*Note:* 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.

## **CORPORATE GOVERNANCE PRACTICES**

The Group strives to maintain high standards of corporate governance in order to safeguard the interests of its Shareholders and enhance 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 the CG Code on the Company's corporate governance structure and operations, and has always complied with all applicable code provisions of the CG Code. The Company will continue reviewing and overseeing its corporate governance practices to ensure its compliance with the CG Code.

## **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 had complied with the standards set out in the Model Code during the Reporting Period.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the Reporting Period, save for the purchase of a total of 3,326,000 Shares by the trustee on the Stock Exchange pursuant to the 2020 Share Award Scheme adopted by the Board on 7 January 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **EVENTS AFTER THE REPORTING PERIOD**

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

## **AUDIT COMMITTEE**

The Audit Committee 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 Group and believed that the risk management and internal control systems are effective and adequate.

## **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND 2021 INTERIM REPORT OF THE GROUP**

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.asiainfo.com](http://www.asiainfo.com)) and the 2021 interim report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

### **DEFINITIONS**

In this announcement, 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 of the Company
“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
“Company”, “AsiaInfo” or “AsiaInfo Technologies”	AsiaInfo 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
“FVTPL”	fair value through profit or loss
“Group”	the Company and its subsidiaries
“HKAS”	Hong Kong Accounting Standards
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“IEEE”	the Institute of Electrical and Electronic Engineers
“ITU”	the International Telecommunication Union
“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 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 2021
“RMB”	Renminbi, the lawful currency of the PRC
“RSUs”	the restricted share units
“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
“Subscription”	the subscription of 182,259,893 new Shares by China Mobile International Holding Limited pursuant to a subscription agreement dated 14 April 2020
“TMF”	the International Telecommunication Management Forum
“USD” or “US\$”	US dollars, the lawful currency of US
“%”	per cent

## GLOSSARY OF TECHNICAL 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 communications industry
“DevOps”	development and operation system
“DSaaS”	data-driven operation, namely the data-driven SaaS operation services
“NFV”	network functions virtualisation
“OSS”	operations support systems, a software solution used by communications operators for supporting their network operations, often used together with BSS to support various end-to-end communications services
“O domain”	OSS domain
“O-RAN”	Open Radio Access Network
“3GPP”	3rd Generation Partnership Project
“5G”	the fifth-generation of mobile communications technology which has higher speed and capacity and lower latency than 4G

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

Hong Kong, 9 August 2021

*As at the date of this announcement, the Board comprises:*

*Executive Directors: Dr. TIAN Suning, Mr. DING Jian and Mr. GAO Nianshu*

*Non-executive Directors: Mr. ZHANG Yichen, Mr. XIN Yuesheng, Mr. YANG Lin, Ms. LIU Hong and Mr. CHENG Xike*

*Independent non-executive Directors: Dr. GAO Jack Qun Yao, Dr. ZHANG Ya-Qin, Mr. GE Ming and Ms. TAO Ping*