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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 2022

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

HIGHLIGHTS

- The overall business maintained a sound growth momentum, with an increase of over 30% in new orders year-on-year;
- Revenue amounted to approximately RMB3,109 million, up by 14.5% year-on-year;
- Revenue from Three New Business¹ exceeded RMB1 billion for the first time in a half year, up by 81.4% year-on-year and its proportion to revenue increased to 32.3%;
- The delivery and inspection of certain projects were delayed due to the Covid-19 pandemic, leading to a short-term pressure on profits. Net profit (excluding share-based compensation expenses)² amounted to approximately RMB262 million, decreased by 15.7% year-on-year;
- Net profit margin (excluding share-based compensation expenses) was 8.4%, representing a year-on-year decrease of 3.0 percentage points; and
- It is believed that with the ease of the pandemic situation, we will maintain a positive momentum in revenue growth and restore the growth momentum of net profit for the full year.

Note 1: Three New Business consists of Data-driven Operation (DSaaS), vertical industries and enterprise cloudification, and Operation Support Systems (OSS) business.

Note 2: To facilitate comparison of the Group's overall operating performance between periods, the net profit has been adjusted to exclude the effect from the recognition of the share-based compensation expenses impacted by the difference in the timing of the grant of the share-based compensation.

CHAIRMAN’S STATEMENT

Dear Shareholders,

With the official release of the Plan for Development of the Digital Economy in “14th Five-Year” Period, digital economic development plans were issued successively and implemented at an accelerated pace in different regions, driving the digital economy to be an important engine of the national economic growth and promoting the rapid development in key areas such as new digital infrastructure, digital applications, industry digitisation and digital government. Against such backdrop, the Company’s business development maintained a sound momentum in the first half of the year, with an increase of over 30% in new orders and revenue continuing to achieve a double-digit growth. However, due to the resurgence of the pandemic, the Company experienced notable impact on project delivery, project inspection, etc., resulting in short-term pressure on profits. In this regard, the Company launched the emergency assurance mechanism, boosted online collaboration efforts and tided over the impacts of the pandemic to the maximum extent so as to ensure the advancing of the related projects and services. It is believed that with the ease of the pandemic situation, the Company will maintain a positive momentum in revenue growth and restore the growth momentum of net profit for the full year.

OVERALL RESULTS

In the first half of 2022, with the implementation of the strategy of “One consolidation, Three developments”, the overall operations of the Company maintained a sound growth momentum. New orders of the Company increased by over 30% year-on-year, and amounted to approximately RMB3,109 million, up by 14.5% year-on-year. Among which, the revenue from the Three New Business maintained a rapid growth and amounted to approximately RMB1,004 million, up by 81.4% year-on-year. The proportion of the Three New Business to revenue increased to 32.3%. However, due to the impact of the pandemic, the Company was forced to delay the entry, delivery and inspection of certain projects, leading to a short-term impact on profits. Gross profit amounted to approximately RMB1,054 million, up by 5.6% year-on-year, while net profit (excluding share-based compensation expenses) was approximately RMB262 million (the share-based compensation expenses were excluded to eliminate the effect from the recognition of the share-based compensation expenses resulting from the difference in the timing of the grant of the share-based compensation), representing a decrease of 15.7% year-on-year. Along with the ease of the pandemic across regions since June 2022 and the gradual recovery of economic activities, the Company continued to sustain robust order bookings and the project delivery efficiency continued to improve.

The Board, after taking into full consideration of various factors including Shareholders' returns, profitability, cash flow level and capital needs for future development of the Company, has decided not to distribute interim dividend for the current Reporting Period and proposed to maintain the dividend payout ratio guidance of no less than 40% of the net profit for the year of 2022.

BUSINESS DEVELOPMENT

Initial completion of the restructuring of DSaaS business, bringing remarkable optimisation in business structure

With years of industry insight, legal and compliant big data sources and powerful AI algorithm models, middle office technologies and tools, the Company actively helped customers carry out value-based digital operations. In the first half of 2022, the Company used mature operational tools and model capabilities to provide user operations, fans experience, privilege operations, and large-screen operation services to a professional content operation company, supporting it in acquiring new users, increasing user's activity level, retaining existing users and improving customer value, achieved outstanding operation results and promoted the revenue growth greatly. The Company continued to innovate its business models, among which the result-based and commission-based charging models had been developed in scale continuously and replicated at multiple customers successfully, with the proportion of its revenue to DSaaS revenue (excluding the revenue of iResearch Consulting) increased to nearly 30%. Such business model can enhance trust, satisfaction and stickiness of customers, and help establish a long-term and win-win partnership with them.

After the acquisition of iResearch Consulting at the beginning of 2022, the Company's DSaaS and smart decision-making capabilities were strengthened. The integration of the organisation, business and resources of the Company's former data-driven operation business unit with iResearch Consulting had basically been completed. Currently, it is speeding up in rationalising and consolidating the business lines of the combined unit, which will establish two major business lines, namely, intelligent operation and smart decision-making. The consolidation of iResearch Consulting to AsiaInfo Technologies has optimised the revenue structure of the Company's DSaaS business notably. In the first half of 2022, the proportion of revenue generated from beyond the telecommunications industry increased to nearly 40%.

In the first half of 2022, the revenue from DSaaS business was approximately RMB484 million, up by 56.7% year-on-year. The revenue of DSaaS business accounted for 15.6% of the revenue.

Vertical industries and enterprise cloudification growth doubled

In the first half of 2022, the Company continued to focus on the five key strategic industries and constantly grew customer base in the government affairs, energy, transportation, finance and postal service industries, achieving a significant expansion in business scale. Of which, the energy industry and government affairs industry achieved significant growth in revenue, up by 4.6 times and 1.7 times year-on-year, respectively.

In the energy industry, the Company promoted and replicated key solutions, including energy middle office and 5G private network, etc., in the nuclear power, wind power and thermal power markets, helping customers eliminate potential safety hazards, increase synergy efficiency and operating efficiency. At present, the Company's smart energy solutions have covered 50 wind farms and 17 nuclear power units. In the first half of the year, the Company secured projects from key customers such as Hainan Nuclear Power, Qinshan Nuclear Power, Fuqing Nuclear Power and Guohua Investment. In the government affairs industry, solutions on government big data and digital government have become important engines for revenue growth. The Company secured relevant projects from key customers such as the Big Data Administrations of certain provinces and cities and also established the strategic cooperation with Nankai District, Tianjin to boost the construction of "Digital Tianjin". In the transportation industry, the industry solution capability was further improved and projects such as Hunan Expressway Network Toll Collection, Shentong Metro (Phase II), Yunnan Expressway Clearing and Settlement System and Big Data Platform were obtained. In the postal industry, the Company promoted a phase II CRM construction at the group-level of a customer, and obtained its DataOS middle office projects in Sichuan, Chongqing and Henan through the synergy strengths between the group and provincial branches. In the cloudification business, the Company steadily promoted the cooperation with industry-leading cloud vendors and state-owned cloud service providers, securing provincial and municipal transportation intelligent control platforms, smart city projects and data middle office projects. The Company was granted the blockbuster award of "Gathering Strength and Going Far (聚力行遠)" at 2022 Alibaba Cloud Partners Conference and was highly recognised by its cloud business partners.

In the first half of 2022, the revenue from vertical industries and enterprise cloudification business of the Company amounted to approximately RMB271 million, up by 140.3% year-on-year.

OSS and BSS business

The booming development of the digital economy has brought new opportunities to the telecommunications industry. The Company actively responded to the industry demand and closely sized the development trend of BSS and OSS integration in 5G era to enhance 5G network and application support capabilities constantly.

For the OSS business, the Company supported customers actively to establish a highly efficient, intelligent, neat and collaborative network operation management system. By enhancing R&D and innovation, the Company's 5G network intelligence products continued to drive the industry. In the first half of 2022, the Company's OSS business scale grew rapidly as the build-out of 5G accelerated in the country, achieving a revenue of approximately RMB248 million, up by 88.7% year-on-year.

For the BSS traditional business, the Company maintained its solid market position and actively answered customers' new demand through technology innovation. In digital intelligence deployment, the Company deeply participated in the planning and construction projects of smart middle office and digital intelligence-related solutions for the three major telecommunications operators, helping the telecommunications operators achieve value-based operations and full-business convergence operations, and facilitating digital intelligence transformation of customers. Meanwhile, the Company supported customers' innovation in the area such as applications and platform by introducing proprietary products. For example, the Company applied RPA and other products to customers' projects of network management support system automation, network operation and maintenance digital employee platform, and risk prevention and control system upgrade, etc.. AIOps products were also applied to customers' BSS system application of smart operation and maintenance products in various provinces. In localisation and substitution, the Company's proprietary and innovative database and middleware products had been applied to customers' billing and settlement centres, consumer market middle office and 5G business support systems. In new market expansion, the Company successfully rolled out 5G business support system project for China Broadcast Network ("CBN"), enabling CBN to launch 5G business nationwide quickly and deliver high-quality customer service within five months after winning the bid. In addition, the Company provided CRM system, capability development platform and operation and maintenance services for a satellite network company. In the first half of 2022, due to the impact of the pandemic, which led to delays in order delivery and inspection, the Company's BSS traditional business revenue amounted to approximately RMB2,065 million, slightly down by 2.1% year-on-year.

Driven by R&D & empowered by innovation

The Company always attached great importance to the R&D, constantly enhanced and improved its product capability and formed a system based on "middle office" empowering three major systems, namely "digital intelligence", "cloud network" and "IT", which effectively promoted to the rapid growth of Three New Business.

In digital intelligence product system, the Company maintained a leadership position in the industry. Our 5G intelligent network products won the highest award in AI sector, "Wu Wenjun AI Science and Technology Progress Award" in 2021 (吳文俊人工智能科技進步獎). Our edge AI product was awarded Outstanding Edge Computing Solutions by CAICT and was included in Edge Computing Industry Panorama (2022) (邊緣計算產業全景圖 (2022)) published by CAICT. The Company participated in the formulation of 5

international/domestic standards and completed 16 localisation compatibility and adaptation certification with domestic mainstream vendors. The Company's cloud network product system was at the forefront of the industry. AISWare CEM (customer experience management system) was selected for Gartner's Global Communications Industry Customer and Business Operation Mainstream Supplier Matrix. Our 5G core network product system obtained the network access permit from the MIIT, with capabilities for commercial use in scale. In the areas such as computing network, automatic and intelligent network and the network digital twin, the Company participated in the formulation of 20 international/domestic standards. For the IT series, the Company was among the tier-1 domestic vendors. The PaaS platform was selected for Forrester Now Tech ChineseCloud Platform and Managed Service Mainstream Provider Matrix. The AntDB database product was selected for CAICT's Global Database Industry Spectrum (全球數據庫產業圖譜) and was awarded the prize for outstanding contribution to the application of new technologies in the financial industry. The Company submitted 8 domestic patents and completed 12 domestic compatibility and adaptation certifications with mainstream vendors. In middle office system, the Company built the foundation for the digital-intelligence transformation of the industry. The universal AI platform was selected for Forrester 2022 China AI System Mainstream Supplier Matrix. 14 international/domestic patents were submitted.

In the first half of 2022, the Company continued to intensively participate in 20 international/national standards organisations, including 3GPP, ITU, ETSI, IEEE, TMF and O-RAN. In terms of intellectual property rights, the Company registered 44 new software certificates, owned 9 new patents and applied for 50 new patents.

In the first half of 2022, the Company's R&D expenses amounted to approximately RMB473 million (excluding share-based compensation expenses), representing a year-on-year increase of 8.7% and accounting for 15.2% of revenue.

OUTLOOK

Looking into the future, facing the robust demand for the digital transformation of enterprises driven by the digital economy, the Company will always adhere to the strategy of "One consolidation, Three developments" and firmly advance towards the goal of "achieving a business scale of over RMB10 billion in 2025, half of which contributed by the new business". In the Three New Business, we will speed up in business development and further promote Three New Business as the core driver to the rapid growth in the overall revenue of the Company. Meanwhile, it will deepen business collaboration, the in-depth integration with the businesses of iResearch Consulting in particular, to coalesce the development synergy. In the traditional business, we will firmly seize opportunities in the digital intelligence transformation of telecommunications operators and the development opportunities of new customers, empowering customers with innovative advanced products and solutions. The Company will continue to expand the business landscape, improve the business efficiency and bolster its leadership in telecommunications operator market.

With full confidence in the Company's long-term development, we believe that with the ease of the pandemic and the improvement in online operation, the delivery efficiency will be improved remarkably and the short-term pressure on profits in the first half of the year will be relieved. The Company will maintain a positive momentum in revenue growth and restore the growth momentum in net profit for the full year.

Finally, on behalf of the Board, I would like to take this opportunity to express our heartfelt thanks to all Shareholders, our customers and all circles of the society for their support to AsiaInfo Technologies. I would also like to express our gratitude to all our staff for their relentless efforts and contributions. We will work together to build AsiaInfo Technologies into a respectable enterprise with pride for our staff!

Dr. TIAN Suning
Chairman and Executive Director

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

For the six months ended 30 June 2022 — unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

		Six months ended 30 June	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
Revenue	4	3,109,285	2,715,268
Cost of sales		(2,055,758)	(1,718,032)
Gross profit		<u>1,053,527</u>	<u>997,236</u>
Other income	5	75,007	88,785
Impairment losses under expected credit loss model, net of reversal		(23,019)	(14,754)
Other gains and losses		17,161	810
Selling and marketing expenses		(258,898)	(199,905)
Administrative expenses		(154,356)	(112,965)
Research and development expenses		(486,664)	(442,502)
Share of results of associates		(3,273)	—
Finance costs		(5,730)	(5,907)
Profit before tax		213,755	310,798
Income tax expenses	6	(24,657)	(31,259)
Profit for the period	7	189,098	279,539
Item that may be reclassified subsequently to profit or loss:			
— exchange differences arising on translation of foreign operations		(8,626)	—
Other comprehensive income for the period, net of tax		(8,626)	—
Total comprehensive income for the period		180,472	279,539
Profit for the period attributable to:			
Equity holders of the Company		191,789	279,772
Non-controlling interests		(2,691)	(233)
Total comprehensive income for the period attributable to:			
Equity holders of the Company		(8,626)	—
Non-controlling interests		—	—
Earnings per share			
— Basic (RMB)	9	0.21	0.30
— Diluted (RMB)	9	0.20	0.30

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022 — unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	30 June 2022 RMB'000	31 December 2021 RMB'000
Non-current assets			
Property, plant and equipment		287,551	285,170
Right-of-use assets		300,925	228,350
Intangible assets		155,351	5,297
Goodwill		2,146,787	1,932,246
Investments in associates		64,559	19,672
Financial assets at fair value through profit or loss ("FVTPL")		17,532	—
Financial assets through other comprehensive income ("FVOCI")		60,717	—
Deferred tax assets		126,397	120,930
Pledged bank deposits		1,291	333
Term deposits		320,000	370,000
Other non-current assets		31,766	23,241
		<u>3,512,876</u>	<u>2,985,239</u>
Current assets			
Inventories		29,972	2,349
Trade and notes receivables	10	995,141	846,573
Prepayments, deposits and other receivables		339,158	188,699
Contract assets		2,495,747	2,230,815
Financial assets at FVTPL		284,015	528,692
Amounts due from related parties		110,347	12,532
Pledged bank deposits		269,048	178,744
Term deposits		50,000	200,000
Bank balances and cash		1,271,980	2,331,821
		<u>5,845,408</u>	<u>6,520,225</u>
Current liabilities			
Trade and notes payables	11	682,877	323,677
Contract liabilities		203,427	290,495
Other payables, deposits received and accrued expenses		1,628,134	2,159,975
Amounts due to related parties		17,704	11,881
Income tax payable		302,081	274,194
Lease liabilities		69,339	49,239
		<u>2,903,562</u>	<u>3,109,461</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
– CONTINUED

As at 30 June 2022 — unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	30 June 2022 <i>RMB'000</i>	31 December 2021 <i>RMB'000</i>
Net current assets	<u>2,941,846</u>	<u>3,410,764</u>
Total assets less current liabilities	<u>6,454,722</u>	<u>6,396,003</u>
Non-current liabilities		
Deferred tax liabilities	197,059	155,812
Lease liabilities	<u>139,425</u>	<u>88,622</u>
	<u>336,484</u>	<u>244,434</u>
NET ASSETS	<u><u>6,118,238</u></u>	<u><u>6,151,569</u></u>
CAPITAL AND RESERVES		
Share capital	—	—
Reserves	<u>6,105,938</u>	<u>6,154,779</u>
Equity attributable to equity holders of the Company	<u>6,105,938</u>	6,154,779
Non-controlling interests	<u>12,300</u>	<u>(3,210)</u>
TOTAL EQUITY	<u><u>6,118,238</u></u>	<u><u>6,151,569</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022 — 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 ⁽ⁱ⁾	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
At 1 January 2022	—	2,140,266	285,200	(15,129)	187,259	1,603,011	1,954,172	6,154,779	(3,210)	6,151,569
Profit for the period	—	—	—	—	—	—	191,789	191,789	(2,691)	189,098
Other comprehensive income for the period	—	—	—	(8,626)	—	—	—	(8,626)	—	(8,626)
Recognition of equity-settled share-based payments	—	—	—	—	—	72,435	—	72,435	—	72,435
Lapse of share options and restricted stock units	—	—	—	—	—	(3,786)	3,786	—	—	—
Vesting of restricted stock units	—	67,662	—	—	—	(67,662)	—	—	—	—
Exercise of share options	—	40,667	—	—	—	(12,157)	—	28,510	—	28,510
Purchase of Shares for share award scheme	—	(4,595)	—	—	—	—	—	(4,595)	—	(4,595)
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	18,201	18,201
Dividends declared in respect of the previous year (note 8)	—	—	—	—	—	—	(328,354)	(328,354)	—	(328,354)
At 30 June 2022	—	2,244,000	285,200	(23,755)	187,259	1,591,841	1,821,393	6,105,938	12,300	6,118,238
At 1 January 2021	—	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)
At 30 June 2021	—	2,133,000	285,200	(15,129)	180,809	1,549,939	1,451,095	5,584,914	(233)	5,584,681

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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022 — unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2022	2021
Note	RMB'000	RMB'000
Net cash used in operating activities	(545,535)	(175,924)
Investing activities		
Purchases of property, plant and equipment	(20,494)	(13,394)
Purchases of intangible assets	(1,764)	(1,779)
Purchases of financial assets at FVTPL	(480,965)	(1,131,594)
Acquisition of investment in associates	(48,160)	—
Acquisition of a subsidiary, net of cash acquired	(410,111)	—
Proceeds on disposal of property, plant and equipment	158	1,149
Proceeds on disposal of intangible assets	12	—
Proceeds on disposal of financial assets at FVTPL	750,051	1,382,024
Proceeds on disposal of investment in an associate	—	15,000
Placement of pledged bank deposits	(269,734)	(360,356)
Withdrawal of pledged bank deposits	178,473	432,889
Placement of term deposits	(50,000)	(450,000)
Withdrawal of term deposits	250,000	189,975
Interest received	19,219	12,777
Loans provided to related parties	(90,001)	—
Other cash flows arising from investing activities	(10,356)	—
Net cash (used in)/generated from investing activities	(183,672)	76,691
Financing activities		
Repayment of bank borrowings	—	(134,308)
Capital element of lease rentals paid	(44,654)	(32,592)
Interest element of lease rentals paid	(4,841)	(4,539)
Borrowing interest paid	—	(912)
Proceeds from issue of Shares under share option schemes	41,848	7,128
Purchase of Shares for share award scheme	—	(101,124)
Dividend paid	8 (329,638)	(263,080)
Net cash used in financing activities	(337,285)	(529,427)
Net decrease in cash and cash equivalents	(1,066,492)	(628,660)
Cash and cash equivalents at 1 January	2,331,821	1,690,151
Effect of exchange rate changes	6,651	(6,865)
Cash and cash equivalents at 30 June represented by bank balances and cash	1,271,980	1,054,626

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022 — unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

1 GENERAL INFORMATION

AsiaInfo Technologies Limited (the “**Company**”) is incorporated in the British Virgin Islands (“**BVI**”) as a company with limited liability and its ordinary shares (“**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 2022 have been prepared in accordance with 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 Listing Rules. It was authorised for issue on 8 August 2022.

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 2021 annual financial statements. The consolidated financial statements and notes thereon do not include all of the information required for a full 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.

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 HKAS 16, Property, plant and equipment: Proceeds before intended use
- Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract

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	
	2022	2021
	RMB'000	RMB'000
<i>Timing of revenue recognition</i>		
At a point in time	151,640	24,976
Over time	2,957,645	2,690,292
	<u>3,109,285</u>	<u>2,715,268</u>
<i>Types of goods and services</i>		
Provision of services	3,040,331	2,690,860
Software and data-driven operation services	2,991,514	2,643,372
Others ⁽ⁱ⁾	48,817	47,488
Sales of goods	68,954	24,408
	<u>3,109,285</u>	<u>2,715,268</u>

Note:

- (i) Others represent revenue primarily generated from the provision of system integration 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	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Government grants ⁽ⁱ⁾	26,581	28,218
Interest income on bank balances, pledged bank deposits and term deposits	18,372	16,747
Net gains on disposal of financial assets at FVTPL ⁽ⁱⁱ⁾	6,212	17,695
Changes in fair value of financial assets at FVTPL	2,946	7,346
Gain from additional input value-added tax credit	11,782	10,418
Income from management support services ⁽ⁱⁱⁱ⁾	2,992	4,174
Others	6,122	4,187
	<u>75,007</u>	<u>88,785</u>

Notes:

- (i) During the six months ended 30 June 2022, government grants amounted to RMB21,673,000 (2021: RMB24,790,000) are related to the support of high-tech industrial development. Government grants amounted to RMB4,908,000 (2021: RMB3,428,000) are related to 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 management services such as legal support, human resources, management system and network, daily administration, etc. to the Group's related parties.

6 INCOME TAX EXPENSES

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax:		
PRC enterprise income tax (“EIT”) — Current year	4,314	12,557
Deferred tax	<u>18,037</u>	<u>22,435</u>
	<u>22,351</u>	<u>34,992</u>
Under/(over) provision in prior year:		
PRC EIT	<u>2,306</u>	<u>(3,733)</u>
	<u>24,657</u>	<u>31,259</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 2022 (2021: 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 2022 (2021: 175%).

In December 2020, the Ministry of Finance of the PRC (“MOF”), State Taxation Administration (“STA”), National Development and Reform Commission (“NDRC”) and Ministry of Industry and Information Technology (“MIIT”) jointly issued the Public Notice regarding the EIT policies to encourage the development of integrated circuit (“IC”) industry and software industry (“Public Notice No.45”). Following which, the NDRC, MIIT, MOF, General Administration of Customs (“GAC”) and STA jointly released the Notice in March 2022 regarding the List-making for the IC Enterprises or Projects and Software Enterprises Eligible for Preferential Tax Policies (“Fa Gai Gao Ji [2022] No.390”), 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 2022 and 2021, two of the Company’s subsidiaries, namely, 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 their business operations will continue to be qualified as key software enterprises.

6 INCOME TAX EXPENSES – CONTINUED

The MOF and the STA promulgated and implemented Income Tax Policies for Integrated Circuit Design and Software Enterprises (the “**Policies**”) in 2011, pursuant to which, all eligible software enterprises that were profit-making up to the year ended 31 December 2017 would be entitled to two-year EIT exemptions followed by three years’ 50% EIT reduction of the statutory EIT rates, starting from their first profit making year. In May 2019, the relevant taxation authority renewed these Policies for the first time to make eligible software enterprises that were profit-making for the year ended 31 December 2018 to be entitled for such preferential EIT rates. These policies were updated again in May 2020, and the profit-making year was updated to 31 December 2019. Nanjing AsiaInfo Software Co., Ltd. (“**Nanjing Software**”) had met all the requirements to be eligible under the Policies and therefore, Nanjing Software has EIT exemptions for two years starting from the year ended 31 December 2019 and is entitled to a preferential EIT rate of 12.5% from 2021 to 2023. Meanwhile, pursuant to the Policies, effective from its profit-making years, Hunan AsiaInfo Software Co., Ltd. (“**Hunan Software**”) enjoys EIT exemptions for the next first two years of profit-making, starting from 2018 (retrospectively applied in 2018 as it was the first year the relevant taxation authority renewed the Policies) and was entitled to a preferential EIT rate of 12.5% from 2020 to 2022.

Hangzhou AsiaInfo Cloud Information Technologies Limited was designated as “**High and New Technology Enterprise**” in 2019 for a period up to December 2022. Guangzhou AsiaInfo Technology Co. Ltd. and Beijing iResearch Digital Intelligence Technology Co., Ltd. (previously known as: Beijing Asiainfo Smart Big Data Co., Ltd.) were designated as “**High and New Technology Enterprise**” in 2020 for a period up to December 2023. Shanghai iResearch Marketing Consulting Co., Ltd., China and Shanghai iTracker Consulting Co., Ltd. were designated as “**High and New Technology Enterprise**” in 2020 for a period up to November 2023. As a result, the five companies above were entitled to a preferential income tax rate of 15% for the period ended 30 June 2022 (2021: 15%).

Based on the Notice regarding the Preferential EIT Policies for the Hainan Free Trade Port (“**Cai Shui [2020] NO. 31**”), and the Announcement on Continuation of EIT Policies for Large-scale Development in the Western Region Notice regarding Extending Preferential EIT Policies for the Development of the Western Regions (“**Announcement of the Ministry of Finance, the State Taxation Administration, and the National Development and Reform Commission [2020] No.23**”), Hainan AsiaInfo Software Co., Ltd. and Chongqing Shuzhi Logic Co., Ltd. both complied with the preferential policies and further enjoyed the EIT rate of 15% in 2022 as a result (2021: 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.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25% and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2021: 16.5%). The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the period ended 30 June 2022 (2021: 16.5%).

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	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit for the period has been arrived at after charging:		
Staff costs, including Directors' and chief executive's remuneration		
Directors' remuneration	19,057	7,481
Employee benefit expenses		
Other staff costs (salaries, wages, allowance, bonus and others)	1,616,522	1,527,565
Contribution to retirement benefits scheme	175,612	153,535
Share-based compensation expenses	56,992	26,869
	<u>1,868,183</u>	<u>1,715,450</u>
Total staff costs		
	<u>1,868,183</u>	<u>1,715,450</u>
Cost of inventories recognised as expenses (transferred into cost of sales)	62,149	22,958
Depreciation of property, plant and equipment	20,409	17,367
Depreciation of right-of-use assets	41,703	34,275
Amortisation of intangible assets	14,247	1,080
Expense of short-term and low value lease	28,509	24,499
	<u>28,509</u>	<u>24,499</u>

8 DIVIDENDS

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

	Six months ended 30 June	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved during the following interim period, of HK\$41.6 cents per share (2021: HK\$34.5 cents per share)	328,354	261,334
	<u>328,354</u>	<u>261,334</u>

For the six months ended 30 June 2022, the Company declared the dividends of HK\$386,040,000 (equivalent to RMB328,354,000) to the equity holders of the Company (2021: HK\$317,611,000 (equivalent to RMB261,334,000)).

For the six months ended 30 June 2022, the dividends of HK\$386,039,000 (equivalent to RMB329,638,000) were paid by cash (2021: HK\$316,171,000 (equivalent to RMB263,080,000)).

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:

	Six months ended 30 June	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share	<u>191,789</u>	<u>279,772</u>
Number of Shares:		
Weighted average number of shares for the purpose of calculating basic earnings per share	928,225,186	919,097,453
Effect of dilutive potential shares: share options and RSUs	<u>15,494,958</u>	<u>7,614,013</u>
Weighted average number of shares for the purpose of calculating diluted earnings per share	<u>943,720,144</u>	<u>926,711,466</u>

The calculation of basic earnings per share for the six months periods ended 30 June 2022 and 2021 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 2022 and 2021 has taken into account the issuance of Shares with regard to the exercise and vesting of share options and RSUs, and purchasing of Share for the six months period ended 30 June 2022 and 2021.

The computation of diluted earnings per share for the six months ended 30 June 2022 did not assume the exercise of the share options under the 2014 stock incentive plan (“**2014 Plan**”), part of the share options under the pre-IPO share option scheme of the Company (“**Pre-IPO Share Option Scheme**”) and the share options under the share option scheme adopted on 25 November 2019 (“**2019 Share Option Scheme**”) since the exercise prices of those share options and RSUs were higher than the average market price of the Shares.

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 Plan and part of the share options under the Pre-IPO Share Option Scheme since the exercise prices of those share options and RSUs were higher than the average market price of the Shares.

10 TRADE AND NOTES RECEIVABLES

	30 June 2022 RMB'000	31 December 2021 RMB'000
Notes receivables	65,802	97,876
Trade receivables	983,029	776,551
Amounts due from third parties	448,844	370,556
Amounts due from related parties	534,185	405,995
Less: allowance for credit losses	(53,690)	(27,854)
	<u>995,141</u>	<u>846,573</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.

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.

	30 June 2022 RMB'000	31 December 2021 RMB'000
1–30 days	562,375	564,318
31–90 days	185,096	155,361
91–180 days	114,325	63,799
181–365 days	125,270	32,250
Over 365 days	8,075	30,845
	<u>995,141</u>	<u>846,573</u>

As at 30 June 2022, total notes receivables amounting to RMB65,802,000 (31 December 2021: RMB97,876,000) are held by the Group for settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the six months ended 30 June 2022. 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.

	30 June 2022 RMB'000	31 December 2021 RMB'000
1-90 days	550,512	223,125
91-180 days	56,057	47,752
181-365 days	45,590	22,952
1-2 years	18,551	12,417
Over 2 years	12,167	17,431
	682,877	323,677

12 PURCHASE OF SHARES

During the six months ended 30 June 2022 and 2021, 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
April 2022	127,200	13.7864	13.4187	1,726
May 2022	180,000	13.1384	12.9270	2,346
June 2022	100,000	13.5786	13.5685	1,357
				<u>5,429</u>
April 2021	624,400	12.6638	12.2798	7,739
May 2021	1,120,400	12.9887	12.4227	14,239
June 2021	1,581,200	13.4055	12.8827	20,726
				<u>42,704</u>

The Company purchased Shares through the trustee for the implementation of the 2020 Share Award Scheme under the instructions of the Company. During the six months ended 30 June 2022, the Company has purchased 407,200 Shares from the market via the trustee at a total consideration of HK\$5,429,000 (equivalent to RMB4,595,000). During the six months ended 30 June 2021, the Company paid deposit amounted to HK\$120,000,000 (equivalent to RMB101,124,000) to the trustee and has purchased 3,326,000 Shares at a total consideration of HK\$42,704,000 (equivalent to RMB36,558,000).

13 SHARE-BASED PAYMENTS

For the six months ended 30 June 2022, details of the share options granted under the 2019 Share Option Scheme are set out below:

Exercise Price (HK\$)	Number of Shares underlying the share options	Grant date	Vesting date	Validity period
13.24	14,763,500	11 March 2022	40% vested on the first anniversary of the grant date 30% vested on the second anniversary of the grant date 30% vested on the third anniversary of the grant date	10 years from the grant date
13.32	3,648,277	10 May 2022	40% vested on the first anniversary of the grant date 30% vested on the second anniversary of the grant date 30% vested on the third anniversary of the grant date	10 years from the grant date

For the six months ended 30 June 2022, the Company granted an aggregate of 1,000,000 RSUs on 11 March 2022 under the 2020 Share Award Scheme.

For the six months ended 30 June 2022, the Company recognised a total share-based compensation expenses of RMB72,435,000 in relation to the share options and RSUs issued under the Pre-IPO Share Option Scheme, the Pre-IPO Share Award Scheme, the 2019 Share Option Scheme and the 2020 Share Award Scheme in profit or loss (for the six months ended 30 June 2021: RMB30,884,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Operating Results

Currently, the digital economy in the PRC maintains the momentum of stable and rapid development, and the demand in the market remains robust. Under this economic environment, the business of the Group is improving overall and maintaining the momentum of rapid development. In the first half of 2022, our new orders increased over 30% year-on-year, among which, the new orders of the Three New Business increased over 60%. Our revenue recorded a year-on-year double-digit growth of 14.5%. Meanwhile, due to the resurgence of the epidemic in several places, the efficiency of certain project delivery has declined, and certain projects inspection has been delayed, resulting in pressure on the Company's profits and cash flow in the short term. As the epidemic stabilises, the pressure will ease and growth will resume.

In the first half of 2022, our revenue amounted to approximately RMB3,109 million (the corresponding period in 2021: approximately RMB2,715 million), up by 14.5% year-on-year. Among which, the Three New Business still maintained the momentum of rapid growth, with a revenue of approximately RMB1,004 million (the corresponding period in 2021: approximately RMB553 million), up by 81.4% year-on-year, and accounting for 32.3% of the revenue (the corresponding period in 2021: 20.4%).

In the first half of 2022, our gross profit amounted to approximately RMB1,054 million (the corresponding period in 2021: approximately RMB997 million), up by 5.6% year-on-year, and our gross profit margin amounted to 33.9% (the corresponding period in 2021: 36.7%), decreased by 2.8 percentage points year-on-year. Net profit amounted to approximately RMB189 million (the corresponding period in 2021: approximately RMB280 million), decreased by 32.4% year-on-year, and our net profit margin amounted to 6.1% (the corresponding period in 2021: 10.3%), decreased by 4.2 percentage points year-on-year. Excluding the effect of share-based compensation expenses, our net profit amounted to approximately RMB262 million (the corresponding period in 2021: approximately RMB310 million), decreased by 15.7% year-on-year, and the corresponding net profit margin amounted to 8.4% (the corresponding period in 2021: 11.4%), decreased by 3.0 percentage points year-on-year.

In the first half of 2022, the net cash used in operating activities amounted to approximately RMB546 million (the corresponding period in 2021: approximately RMB176 million), representing a year-on-year change of 210.1%. Excluding the effect of one-off factors resulting from changes in payment tempo of employee supplementary pension insurance and technical service costs, the net cash used in operating activities amounted to approximately RMB363 million, representing a year-on-year change of 106.5%. It was mainly attributable to the combined effect of the short-term delay in payment collection impacted by the epidemic and the increase in daily operating expenses following continuous expansion of business scale.

Revenue

In the first half of 2022, the Company actively responded to the adverse impact of the resurgence of the epidemic, firmly adhered to the business development strategy of “One consolidation, Three developments”, and continued to deepen strategic transformation. Our revenue amounted to approximately RMB3,109 million (the corresponding period in 2021: approximately RMB2,715 million), up by 14.5% year-on-year. Among which, revenue from the Three New Business was approximately RMB1,004 million (the corresponding period in 2021: approximately RMB553 million), increased significantly by 81.4% year-on-year, and accounting for 32.3% of the revenue (the corresponding period in 2021: 20.4%), further playing its core leading role in expanding business scale.

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

	For the six months period ended 30 June			
	2022		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Traditional business	2,105,667	67.7	2,161,918	79.6
BSS	2,065,458	66.4	2,109,399	77.7
Three New Business	1,003,618	32.3	553,350	20.4
DSaaS	484,379	15.6	309,073	11.4
Vertical industries and enterprise cloudification	271,367	8.7	112,910	4.2
OSS	247,872	8.0	131,367	4.8
Total revenue	<u>3,109,285</u>	<u>100.0</u>	<u>2,715,268</u>	<u>100.0</u>

Traditional business includes the BSS business and sales of third-party hardware and software, system integration services and corporate training services. In the first half of 2022, revenue from traditional business amounted to approximately RMB2,106 million (the corresponding period in 2021: approximately RMB2,162 million), slightly decreased by 2.6% year-on-year, which was mainly due to the epidemic. Among which, revenue from the BSS business amounted to approximately RMB2,065 million (the corresponding period in 2021: approximately RMB2,109 million), slightly decreased by 2.1% year-on-year.

DSaaS business continued to grow rapidly. Despite the adverse impact of the epidemic, in the first half of 2022, it achieved a revenue of approximately RMB484 million (the corresponding period in 2021: approximately RMB309 million), up by 56.7% year-on-year, and its proportion to revenue continued to increase to 15.6%.

Benefiting from the market expansion in key industries, such as energy, government affairs, postal and cooperation among cloud service providers, the vertical industries and enterprise cloudification business have ushered in large-scale growth. In the first half of 2022, it achieved a revenue of approximately RMB271 million (the corresponding period in 2021: approximately RMB113 million), up by 140.3% year-on-year, with its proportion to revenue increased to 8.7%.

Relying on the technological leadership of 5G network intelligent products, we continued to expand the telecommunication operator market, and the OSS business maintained a rapid development trend. In the first half of 2022, it achieved a revenue of approximately RMB248 million (the corresponding period in 2021: approximately RMB131 million), up by 88.7% year-on-year, and its proportion to revenue increased to 8.0%.

Cost of Sales

In the first half of 2022, the cost of sales was approximately RMB2,056 million (the corresponding period in 2021: approximately RMB1,718 million), representing an increase of 19.7% year-on-year. Excluding the impact of share-based compensation expenses, the cost of sales was approximately RMB2,043 million (the corresponding period in 2021: approximately RMB1,713 million), up by 19.3% year-on-year, which was mainly due to the increase in labour costs and technical service costs resulting from business scale expansion.

Gross Profit and Gross Profit Margin

Affected by the epidemic, the efficiency of certain project delivery decreased. In the first half of 2022, the gross profit was approximately RMB1,054 million (the corresponding period in 2021: approximately RMB997 million), up by 5.6% year-on-year, and our gross profit margin was 33.9% (the corresponding period in 2021: 36.7%), decreased by 2.8 percentage points year-on-year. With the ease of the pandemic situation, gross profit will restore its growth momentum.

Selling and Marketing Expenses

In the first half of 2022, our selling and marketing expenses amounted to approximately RMB259 million (the corresponding period in 2021: approximately RMB200 million), up by 29.5% year-on-year and accounted for 8.3% of the revenue. Excluding the impact of share-based compensation expenses, the selling and marketing expenses were approximately RMB245 million (the corresponding period in 2021: approximately RMB192 million), up by 27.8% year-on-year and accounted for 7.9% of the revenue. It was mainly due to the fact that we implemented the strategic transformation to increase the marketing efforts to the Three New Business and the business scale growth.

Administrative Expenses

In the first half of 2022, our administrative expenses amounted to approximately RMB154 million (the corresponding period in 2021: approximately RMB113 million), up by 36.6% year-on-year and accounted for 5.0% of the revenue. Excluding the impact of share-based compensation expenses, our administrative expenses were approximately RMB122 million (the corresponding period in 2021: approximately RMB103 million), up by 19.2% year-on-year and accounted for 3.9% of the revenue. It was mainly due to the business scale growth brought by the acquisition of iResearch Consulting.

R&D Expenses

All R&D costs are expensed in the current period in accordance with the Group's accounting policies. In the first half of 2022, the R&D expenses amounted to approximately RMB487 million (the corresponding period in 2021: approximately RMB443 million), up by 10.0% year-on-year and accounted for 15.7% of the revenue. Excluding the impact of share-based compensation expenses, the R&D expenses were approximately RMB473 million (the corresponding period in 2021: approximately RMB435 million), up by 8.7% year-on-year and accounted for 15.2% of the revenue. The Company continues to increase its R&D investment, evolves R&D routes and iteratively develops products, supporting the Company's strategic transformation by continuous business expansion.

Income Tax Expenses

In the first half of 2022, income tax expenses amounted to approximately RMB25 million (the corresponding period in 2021: approximately RMB31 million), decreased by 21.1% year-on-year, which was mainly attributable to the impact from the decrease in taxable income over the corresponding period.

Net Profit

Affected by the epidemic, the efficiency of certain project delivery decreased and profits were under pressure in the short run. As the epidemic stabilizes, the pressure will be mitigated, and profits will restore the growth momentum. In the first half of 2022, we achieved a net profit of approximately RMB189 million (the corresponding period in 2021: approximately RMB280 million), decreased by 32.4% year-on-year. Net profit margin was 6.1% (the corresponding period in 2021: 10.3%), decreased by 4.2 percentage points year-on-year. Excluding the impact of share-based compensation expenses, our net profit was approximately RMB262 million (the corresponding period in 2021: approximately RMB310 million), decreased by 15.7% year-on-year. The corresponding net profit margin was 8.4% (the corresponding period in 2021: 11.4%), decreased by 3.0 percentage points year-on-year.

Interim Dividend

The Board has resolved not to declare any interim dividend for the Reporting Period (the corresponding period in 2021: nil).

Financial Position

The financial position of the Group remained sound and healthy. As of 30 June 2022, total assets amounted to approximately RMB9,358 million (31 December 2021: approximately RMB9,505 million), slightly decreased by 1.5% year-on-year. Total liabilities amounted to approximately RMB3,240 million (31 December 2021: approximately RMB3,354 million), slightly decreased by 3.4% year-on-year. Net assets were approximately RMB6,118 million (31 December 2021: approximately RMB6,151 million), decreased by 0.5% year-on-year.

Net Current Assets

As at 30 June 2022, net current assets amounted to approximately RMB2,942 million (31 December 2021: approximately RMB3,411 million), decreased by 13.7% year-on-year, which was mainly due to the combination of cash used in the acquisition of iResearch Consulting.

Assets Pledged

As at 30 June 2022, assets pledged were approximately RMB270 million (31 December 2021: approximately RMB179 million), up by 50.5% year-on-year, which was mainly used as additional deposit margin to secure letters of guarantee and notes payables.

Goodwill

As at 30 June 2022, our total goodwill amounted to approximately RMB2,147 million (31 December 2021: approximately RMB1,932 million), up by 11.1% year-on-year. The goodwill was arising from the acquisition of Linkage Technologies International Holdings Limited in July 2010 and the acquisition of iResearch Consulting in January 2022, respectively, for business combination purposes.

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.

Intangible Assets

As at 30 June 2022, our total intangible assets amounted to approximately RMB155 million (31 December 2021: approximately RMB5 million). The increase in intangible assets was mainly from the acquisition of iResearch Consulting in January 2022. The Company has engaged a professional independent valuer to assess the intangible assets for the iResearch Consulting.

Significant Investments Held, Material Acquisitions or Disposals of Subsidiaries and Future Plans Regarding Capital Asset Acquisitions or Material Investments

Save for the acquisition of 94.23% equity interest in iResearch Consulting at approximately RMB512 million, the Group had no significant investments held or material acquisitions and disposals of subsidiaries during the Reporting Period. As at 30 June 2022, the Group had no clearly defined plans relating to significant capital asset acquisitions or material investments, nor future plans of significant disposals of subsidiaries.

Borrowings

As at 30 June 2022, we had no bank borrowings (31 December 2021: nil).

Contingent Liabilities

As at 30 June 2022, the Group had no significant contingent liabilities (31 December 2021: nil).

Cash Flow

In the first half of 2022, net cash used in operating activities was approximately RMB546 million (the corresponding period in 2021: approximately RMB176 million), representing a year-on-year change of 210.1%. Excluding the impact of the one-off factors due to changes in payment tempo of employee supplementary pension insurance and technical service costs, our net cash used in operating activities was approximately RMB363 million, representing a year-on-year change of 106.5%. It was mainly due to the short-term delay in payment collection due to the impact of the epidemic and the increase in daily operating expenses after the continuous growth of business scale.

In the first half of 2022, net cash used in investing activities was approximately RMB184 million, which was mainly due to the payment for the acquisition of iResearch Consulting and the redemption of wealth management products issued by banks and other financial institutions. During the corresponding period in 2021, 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.

In the first half of 2022, net cash used in financing activities was approximately RMB337 million, which was mainly attributable to annual dividend payments, and decreased by 36.3% year-on-year when compared with approximately RMB529 million used in the corresponding period in 2021, which was mainly attributable to the repayment of bank borrowings.

CORPORATE GOVERNANCE PRACTICES

The Company 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 the 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 407,200 Shares by the trustee on the Stock Exchange pursuant to the share award scheme adopted by the Company 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 Company and believed that the risk management and internal control systems are effective and adequate.

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 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 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 had been fully utilised during the Reporting Period in accordance with the intended purposes disclosed in the Prospectus as follows:

	Proceeds from initial public offering <i>HK\$'000</i>	Proceeds utilised as of 30 June 2022 <i>HK\$'000</i>
Enhance R&D capabilities and expand DSaaS, Internet of Things and 5G intelligent network business (35%)	315,547	315,547
Repayment of bank loans (30%)	270,469	270,469
Strategic investments and acquisitions (25%)	225,391	225,391
Working capital and other general corporate purposes (10%)	<u>90,156</u>	<u>90,156</u>
Total	<u><u>901,563</u></u>	<u><u>901,563</u></u>

Subscription

On 14 April 2020, the Company and China Mobile International Holdings Limited entered into the subscription agreement. The Subscription 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 had been fully utilised during the Reporting Period in accordance with the intended purposes disclosed in the circular of the Company dated 28 May 2020 as follows:

	Proceeds from the Subscription <i>HK\$'000</i>	Proceeds utilised as of 30 June 2022 <i>HK\$'000</i>
R&D investment on new products and new technologies and the development of the DSaaS, vertical industry and enterprises cloudification, OSS business (40%)	553,640	553,640
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
General working capital (inclusive of administrative purposes, sales and marketing purposes) (25%)	<u>346,025</u>	<u>346,025</u>
Total	<u><u>1,384,100</u></u>	<u><u>1,384,100</u></u>

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND 2022 INTERIM REPORT OF THE GROUP

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.asiainfo.com) and the 2022 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
“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
“ETSI”	European Telecommunications Standards Institute
“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
“iResearch Consulting”	Shanghai iResearch Marketing Consulting Co., Ltd., an indirect non wholly-owned subsidiary of the Company

“ITU”	the International Telecommunication Union
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MIIT”	the Ministry of Industry and Information Technology
“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 2022
“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
“%”	per cent

GLOSSARY OF TECHNICAL TERMS

“AI”	Artificial Intelligence
“AIOps”	a machine learning and big data analytics application for automation and information technology industry management
“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 telecommunications industry
“CRM”	customer relationship management
“DSaaS”	data-driven operation, namely the data-driven SaaS operation services
“IT”	information technology, the application of computers and telecommunications equipment to store, retrieve, transmit and manipulate data
“OSS”	operations support systems, a software solution used by telecommunications operators for supporting their network operations, often used together with BSS to support various end-to-end telecommunications services
“O-RAN”	Open Radio Access Network
“RPA”	robot process automation
“3GPP”	3rd Generation Partnership Project
“5G”	the fifth-generation of mobile telecommunications 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

Beijing, 8 August 2022

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 Qunyao, Dr. ZHANG Ya-Qin,
Mr. GE Ming and Ms. TAO Ping*